

NEWS: EUROPE

Germany to seek energy compromise

By Quentin Peel in Bonn

THE German government and opposition agreed yesterday to set up an all-party conference to negotiate a long-term energy policy, including a decision on the future of nuclear energy in power generation.

The deadline for agreement has been set for the end of the year, before the country faces a whole series of local, state and national elections in 1994.

However, there remain widespread doubts in the nuclear industry over whether the political parties, ranging from the conservative Bavaria-based Christian Social Union to the anti-nuclear Greens, will be able to agree on any consensus.

Apart from the future of nuclear energy, the conference will be asked to propose a solution for the direct disposal or reprocessing of nuclear waste, on which the political parties are deeply divided.

That question is vital to the long-term future of Britain's Thorp nuclear waste reprocessing plant built by British Nuclear Fuels (BNFL) at Sellafield, with which the German utilities have a 10-year reprocessing contract.

The all-party talks, expanded to include representatives of the energy producers and consumers, trade unions and environmental groups, will also make recommendations on energy conservation, use of renewable energy, plans for the future use of fossil fuels, and for a common European energy policy.

Pressure for such an "energy consensus" has come from Germany's leading power utilities, including RWE, Veba and Bayernwerk, which have been demanding clarity from the government and opposition over the future of nuclear energy, which now provides about 34 per cent of Germany's electricity supply.

Mr Klaus Töpfer, environment minister, announced agreement on the agenda and political participation in the talks yesterday. The first meeting will be held on March 19 and 20.

The inner negotiations will contain 16 members - eight from the ruling government coalition, and eight from the opposition SPD and Greens. A further 12 participants will make up an "energy consensus working group" from the industrial and environmental organisations concerned.

All parties except the Greens agree the first 10-year contract with BNFL must be completed - it contains swingeing penalty clauses for cancellation.

It will cost DM3.3m (\$1.98m) of taxpayers' money, the minister said. However he promised to pursue the illegal exporters to pay compensation.

The waste is dumped in and near the town of Sibiu, in central Romania, where many of the containers have corroded, or broken open in the frost, and started leaking their contents, according to Greenpeace.

Mr Töpfer yesterday praised the action group for its campaign, and promised that the waste would now be disposed of inside Germany. He said that most of it came from the former East Germany, mainly from the Bitterfeld chemical industry complex in Saxony-Anhalt, but some also came from western enterprises.

The operation, which involves decanting the waste into new containers and shipping it back to Germany in a special goods train, will start this week, Mr Klaus Töpfer, the environment minister, announced yesterday.

At least 10 different chemicals were discharged in the accident at its Griesheim plant, the company said yesterday after analysing soil samples. Some of the chemicals are potentially toxic or caustic. They include two tonnes of ortho-nitroanisole, a smelly, yellow chemical used to make dyes, which the company says is "potentially carcinogenic".

State government officials say Hoechst responded too slowly to the accident and failed to disclose details on what the chemicals are and their potential toxicity.

Hoechst insists there is no danger to residents from exposure they have received. Company officials say the direct costs of the accident, which happened a week ago, will be at least DM10m (\$6.14m) and perhaps several times more.

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Tensions hinder oil deal with Russia

By Chryssia Freeland in Sargut and John Lloyd in Moscow

REPRESENTATIVES from all of the former Soviet republics yesterday began a two-day meeting in the western Siberian oil city of Sargut, in an effort to revive Russia's collapsing oil industry through co-operation.

However, the increasingly tough line being taken by Russia and Ukraine, the two most powerful republics, could make a lasting deal elusive.

Further evidence of tension between the two emerged yesterday, with Ukraine rejecting the call by Mr Boris Yeltsin, the Russian president, for Russia to be given a free hand by the international community, especially the United Nations, to "guarantee peace and stability" throughout the former territory of the Soviet Union.

Mr Mikola Mikhailchenko, chief political adviser to Mr Leonid Kravchuk, Ukraine's president, said: "Ukraine will never recognise that Ukrainian territory is a sphere of special Russian interest... we want relations of equality."

In addition, Mr Leonid Kuchma, the Ukrainian premier, accused Russia of imposing an economic blockade on Ukraine. He saw no alternative

but to shift trade between the neighbours to world prices.

"No matter how much we try to negotiate with Russia over prices, we have realised that we cannot escape world prices. But we, in turn, will insist on world prices," the prime minister said.

Ukraine has threatened to charge transit fees at international rates for exporting the Russian gas which goes through Ukraine's pipelines. This amounts to 88 per cent of

Russia's total foreign sales. This was in response to Russia's threat to cut off all gas supplies over Ukraine's gas debt to Russia. Moscow told Ukraine earlier this year that it would charge world prices for gas from February 1.

By contrast, republics such as Belarus and Kazakhstan, which have retained close political links with Russia, appear confident in restoring economic ties as well. However, political rebels such as Georgia said they were in the same position as Ukraine.

"We must speak of an economic blockade," said Mr Tangiz Sigua, the Georgian premier. "Russia is not supplying us with anything at all."

The comments of the leaders of the former Soviet states appear to indicate that Russia, in the grip of continuing economic crisis, is now determined overtly to reward its friends and punish those with which it has strained relations.

Russia expects to produce between 340m-347m tonnes of oil this year, down from 350m tonnes in 1992. The Sargut meeting represents an effort to re-establish these links in the oil and gas sector by creating a "mini-Opec" to co-ordinate investment and production.

Mr Yuri Shafarank, Russian fuel and energy minister, warned that unless the republics co-operated, oil production might be insufficient by 1995 to meet even Russia's own requirements. Mr Shafarank hoped the non-Russia republics would contribute up to Rb5700bn to the Siberian oil industry in exchange for a guaranteed supply of cheap fuel.

Speaking in his office in Berlin, Mr Wolf makes clear that Germany's attitude to EC competition policy mirrors the Bonn government's views on the evolution of the EC as a whole. There is, he argues, a need for more openness in decision-making, more accountability and, in some cases, more devolution of power to member states.

The European Commission is nearing the end of a wide-ranging review of its September 1990 merger rules. Already Germany, along with the UK and France, have indicated that they will resist moves to lower the turnover thresholds above which the EC's competition watchdogs automatically investigate deals affecting the EC market.

EC officials said yesterday the Commission remained "neutral", but Mr Wolf said lowering the current threshold of Ecu5bn (24.13bn) is premature. He is pushing for other reforms, mainly clarity on how and why decisions in Brussels are made, noting that the Commission is not obliged to set out in writing the reasons for competition decisions.

True, the Commission does produce a short summary, but in nowhere near the detail of the UK's Monopolies and Mergers Commission.

He says: "Inevitably there is some political colouring because of the need to have a majority in the Commission. Inevitably, there is the suspicion of a fix."

Because Germany's competition credentials are stronger than most in the EC, Mr Wolf jokes about a two- or three-step Europe, with Germany, Denmark, the Netherlands and the UK in the last line.

Thus, it is also premature to talk up the prospects of a new EC-wide competition authority independent of the Commission: "It won't probably happen before the end of the century."

Harmonising the varying competition laws among member states could take even longer, even if this means a delay in a true single market.

Instead, Mr Wolf would like greater clarity in procedures for vetting cartels and abuse of a dominant market position, under Articles 85 and 86 of the Treaty of Rome.

At present, he estimates some 200 cases are outstanding in Brussels, and the number is expected to rise because of the single market.

Wolf: Urges Brussels openness

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Arrested: Francesco Mattioli, chief financial officer at Fiat

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But as more executives and owners are caught in the magistrates' investigative net, the impact is increasingly being felt on company decision-making processes, their balance sheets, and company reputations. "We are particularly concerned about the impact this will have on the reputation of Italian contractors abroad," commented a spokesman for Ance, the Italian construction association.

In the case of state-run entities where management has been arrested or placed under investigation, the decision-making process has been especially slowed. At Anas, the

state roads authority which accounts for 10 per cent of the annual value of public works contracts, the entire board has been decapitated by a corruption investigation. Another victim of closer judicial scrutiny is the prospective L30,000bn worth of contracts in prospect for the development of a high-speed rail network which was to be the mainstay for the contractors in the mid-1990s.

But the main worry of company owners is the paralysis in public administration caused by the scandals. According to one building company proprietor: "No decisions are being taken: everyone - from the local councils, through to the regional councils and ministries - is terrified of putting their signature to a document for fear of being accused of corruption."

If it is not a case of bureaucrats being afraid, public works contracts are being delayed because of the collapse of city administrations. Currently Italy's four main cities - Milan, Naples, Rome and Turin - have no councils due to the scandals.

Mr Francesco Merloni, the public works minister, readily admits that he himself has blocked a large number of contracts, especially road works,

because the ministry he inherited eight months ago had awarded so many contracts by private tender. Almost two-thirds of all public works contracts, including those in transport, during the 1980s were awarded by private tender or by methods which ignored established guidelines, according to a recent report by Censis, the research institute.

The minister has few illusions about the extent to which the contracting business was subject to abuse. Bidding was uncompetitive; cartels among different contractors were common, and contracts were frequently awarded to shell companies. It was also difficult for the government to keep tabs on the companies. Some 15,000 had the formal qualifications to bid for contracts and 12,000 public bodies could award construction contracts.

Officials estimate that the real value of contracts was inflated by at least 15 per cent to accommodate "commissions" and an extra profits. Another tactic was to halt work in mid-contract to renegotiate the price. These practices help to explain why Italy spends 4 per cent of GDP - close to the EC average - on

cash reflected the length of time taken to implement projects, said Mr Anders Ljungh, vice president for finance.

Commitments made so far show a bias towards economically and politically more stable states such as Poland and Hungary, and a slow development of projects in the former Soviet Union.

Poland and Hungary account for 44 of the 71 projects approved by the EBRD so far. The Russian Federation, by comparison, accounts for just eight, with less capital committed than to Romania and the Czech and Slovak republics.

"We've done less than we should [in the former Soviet Union], particularly as it accounts for over half of our operations," said Mr Ljungh.

A number of large projects are currently under discussion in the former Soviet Union, including energy projects requiring capital of \$5.5bn in all.

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infrastructure yet has such poor comparative networks of modern roads, railways, urban transit systems and ports.

The paralysis in bureaucratic procedures affects not only public works contracts. Ance maintains the civil service's fear of being investigated for corruption is also holding up private sector activity which accounts for 52 per cent of the construction business.

The problems arising from corruption scandals are compounded for the construction business by the state of the economy. The economy moved into recession in the second half of 1992 and some 100,000 jobs were lost. Since last July the government of Mr Giuliano Amato cut back on public spending to hold down the public sector deficit. In the last half of 1992, the value of public works contracts put out to tender dropped 27 per cent in real terms compared with the same period the previous year. The 1993 budget has cut out L11,200bn of expenditure, a reduction of almost 30 per cent.

The drop in spending has been accompanied by a corresponding rise in unpaid contracting debts.

Contractors are currently owed a staggering L11,000bn which is being covered by

British Foreign Secretary Douglas Hurd meeting King Juan Carlos yesterday during his visit to Madrid for talks on Gibraltar

THE campaign for France's two rounds of parliamentary elections on March 21 and 28 officially opened yesterday, with more than 5,000 candidates contesting 577 seats, reflecting the rise of fringe parties and incomplete electoral pacts between certain mainstream parties, writes David Buchanan in Paris.

Seeking to minimise impending defeat, Mr Laurent Fabius, leader of the ruling Socialists, said it was high time for the left to "wake up" and for the Socialists and environmentalists to get together to stem the "tidal wave" forecast for the centre-right opposition.

A CSA poll published yesterday predicted that the RPR-UDF opposition parties would get 38.5 per cent of the popular vote, translating into 424-436 seats out of the total of 556 for mainland France. It put support for the Socialists and their minor allies at 20 per cent, giving them 91-98 seats, and backing for the two environmentalist parties at 17 per cent, translating into only 2-8 seats.

Keen to avoid complacency among his supporters as much after as before the election, Mr Jacques Chirac, leader of the Gaullist RPR party, warned "an unprecedented effort" would be needed after the March poll to put the economy to rights.

The number of jobs, which stands just short of 3m, or 10.5 per cent of the work force, overshadows all other issues. Mr

Chirac said he did not think those still in employment would agree to share jobs if they also had to share their salaries.

Special aid for certain hard-hit sectors and a general reduction in social charges paid by companies was a better way, he argued, to pull the economy out of its decline. National output fell 0.5 per cent in the last three months of 1992, and Mr Pierre Bérégovoy, the prime minister, admitted yesterday that the economy had "got off to a bad start in the first quarter" of this year.

But left and right are united in their criticism of the UK government for "social dumping" and of the EC's draft farm accord with the US.

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Congress urged to act quickly on pilot scheme

Clinton moves on community service

By George Graham in Washington

PRESIDENT Bill Clinton yesterday unveiled a pilot scheme he hopes to develop into a far-reaching national service programme with the impact of the GI bill in the 1950s or the Peace Corps in the 1960s.

Mr Clinton asked Congress to act quickly on a summer initiative designed to create a core group of about 1,000 leaders to spur community service programmes around the country.

The pilot programme is intended to develop into a broader scheme to provide loans for university education, to be paid off by community service, which the president hopes will involve 100,000 people by 1997. He proposes that participating graduates would undertake either one or two years of direct community service, or repay the loans as a percentage of the

graduate's subsequent income.

The president's promise that "in a Clinton administration everyone will be able to get a college loan as long as they're willing to give something back to their country in return" was one of his most productive themes during last year's presidential campaign.

With tuition costs at US universities rising by an average of more than 10 per cent a year throughout the 1980s, the cost of higher education has become a particularly daunting prospect for the middle-income families that Mr Clinton targeted during the campaign.

Budget realities, however, have forced the new president to scale back some of his ideas. The programme is now budgeted at \$98m (\$69m) next year, climbing to \$3.4bn in 1998, as part of a broader "lifelong learning" spending package totalling \$37.8bn in 1994-97, compared with \$63.3bn spent over four years in Mr Clinton's campaign manifesto.

The president said in an article in the New York Times on Sunday that his national service programme would concentrate on providing young people to work in schools, immunisation clinics, police forces and environmental projects.

He argued, however, that the programme could have a wider impact on a whole generation, as the Peace Corps created by President John Kennedy had for his own generation.

"At its peak, the Peace Corps enrolled only 16,000 volunteers yet it changed the way a generation of Americans look at themselves and the world," Mr Clinton wrote.

He was also due to present his national service scheme last night on a special programme on MTV, the music video channel which last year became the favourite means for both Mr Clinton and his opponent, former President George Bush.

Key index hints at slower US growth

By Michael Prowse in Washington

A SLEW of figures yesterday pointed to a steady expansion of the US economy but probably at a slower pace than the 4.1 per cent annual rate of growth registered in the second half of last year.

The purchasing managers' index - a closely watched barometer of conditions in manufacturing industry - fell to 55.8 per cent last month from 58.0 in January. The dip mainly reflected a slower rate of growth of new orders, which had soared to a nine-year high in January.

However, the index remained well above the 50 per cent level which is the threshold for growth of the manufacturing sector.

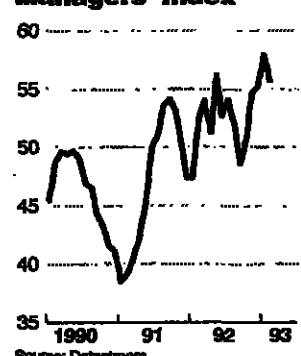
Mr Robert Bretz, a spokesman for purchasing managers, brushed off the dip in the

index. He noted several encouraging signs, including the second highest reading in five years of the association's production index.

The Commerce Department said personal incomes grew 0.5 per cent between December and January following a 1 per cent increase in the previous month. Personal consumption spending rose 0.3 per cent against a 0.8 per cent increase in December. After allowing for inflation, however, real consumer spending fell 0.1 per cent in January, a reaction to pre-Christmas spending.

However, officials said December incomes had been boosted by the bringing forward of bonus payments in the securities industry, farm subsidies and social security benefit payments. Excluding special payments, incomes grew by only 0.3 per cent in December, less than in January.

US Purchasing Managers' Index



The department also reported a 1.3 per cent decline in construction spending between December and January, the first drop in five months.

Separately the National Association of Realtors reported that sales of existing homes fell 6.4 per cent between December and January, after seasonal adjustment, against a revised 4.7 per cent gain in the previous month. However, on an annual comparison sales were up nearly 15 per cent in January.

Growth in industrialised countries seen as vital

Caribbean economic hopes rest with trading partners

By Canute James in Kingston

CARIBBEAN countries can expect to improve on last year's sluggish economic performance only if there is significant growth in the industrialised countries, particularly in North America and Europe, according to the Caribbean Development Bank.

In a review, the Barbados-based bank said the medium-term prospects were also clouded by fears among the region's producers and exporters about the impact of new trade blocs and the reduction of import tariffs by several countries.

The bank said the weak economic performance of most of its borrowing members last year "reflected prolonged recession in their major trading partners and tight fiscal and monetary policies as many countries sought to protect the balance of payments contracting aggregate demand".

The CDB, which has resources of \$800m (\$583m), provides project loans for its 17 borrowing members. Its main contributors are the US, Can-

ada, Britain, France and Germany.

The bank reported that while some economies, such as Barbados and Dominica, contracted last year, Guyana and Belize each grew by about 7 per cent. Guyana's economy was buoyed by improved performance in all sectors except bauxite, while there was expansion in agricultural output in Belize.

Other countries recorded growth below 4 per cent, the report said, with Jamaica's performance aided by stabilisation of interest rates and the slackening of inflation. Trinidad and Tobago suffered from a weak balance of payments.

"The generally weak regional performance has contributed to mounting unemployment, with several of the larger borrowing members reporting rates in excess of 20 per cent."

Tourism, increasingly important to many Caribbean economies, grew by 2 per cent last year, with declines in the North American market being compensated for by an increase in the flow of visitors from

Europe. The fall in volume from North America was caused mainly by recession in the US and Canadian economies, the bank said.

Favourable weather last year contributed to an increase in banana exports to Britain, the CDB reported. But it warned that despite the European Community's agreement on a new marketing arrangement to be implemented in July, "the future of this industry in the region appears relatively uncertain".

The region's sugar producers improved last year - with the exception of Barbados - with output growing by 38 per cent in Guyana.

The bank reported, however, that the industry was adversely affected by a reduction in US import quotas.

Recession in the region's key markets dampened manufacturing output, while a weak aluminium market depressed demand for bauxite produced in Jamaica and Guyana. Falling oil prices and reduced production cut Trinidad and Tobago's earnings from its petroleum sector.

President's grumbling strikes a chord

Brazilians love it, but the business community and economists are wincing, reports Christina Lamb

PRESIDENT Itamar Franco has Brazil's business community and economists appalled, but his support among the public in general continues at levels that most government leaders can only envy. When Mr Franco visited the historic town of Olinda last week to watch the carnival celebrations he received standing ovations. The latest polls show popularity ratings of 75 per cent.

Mr Franco seems to have struck a chord among the Brazilian people, who feel long abused by profit-hungry businessmen and ministers with high-faluting economic theories that have caused a three-year recession, soaring unemployment and public debt, with no visible results in terms of reducing inflation.

For many, his down-to-earth honesty and daily gripes have come as a welcome change from the slick talk and glamorous ways of his predecessor Mr Fernando Collor, who was

accused of lining his pockets while talking austerity, resulting in his impeachment.

Mr Franco, whose thick glasses give him a permanently bemused air, spends his spare time taking his ministers to the circus or watching children's movies like Home Alone 2. He apparently sees no contradiction in wanting low interest rates, low inflation, higher wages and increased public spending and believes that removing three zeroes from the cruzeiro - now 22,800 to the dollar - would weaken it.

What traders have called "the Itamar effect" - off-the-cuff comments on the economy which send the markets plummeting - made its first appearance on the day he took office. Mr Franco said he did not care what the markets in Brazil or the bankers in Lon-

don and New York thought, and that if foreign bankers wanted to negotiate with Brazil they should learn Portuguese.

He woke his first economy minister up early in the morning, furious that an increase in fuel prices had been authorised without his knowledge, and told the press he would take charge of all tariff increases - a situation that drove the head of Petrobras, the state oil company, to resign and pushed the company into red.

Each day a new comment has economists groaning. One trader said: "Each morning I take a deep breath before I look at the headlines to see the latest from Itamar. He acts as if he is opposition rather than president."

Most damaging of all have been his open attacks on his economy ministers. Mr Gustavo Krause, the first, quit in December after being subject

to a series of criticisms from the president.

It is not clear how far Mr Franco's strategy is deliberate. Mr Pedro Motta Veiga, director of the Rio-based Foreign Trade Foundation, says: "I think Itamar is just as much a marketing man as Collor."

The marketing seems to work. Around the news-stands of Brazilian cities can generally be found clusters of ordinary people murmuring in agreement with the president's latest complaints, as if he himself bore no responsibility for the country's problems.

But it is not clear how much longer Mr Franco's honeymoon with the public will last. Yesterday the main Brazilian papers were preparing angry editorials over the departure of Mr Paulo Haddad from the Economy Ministry. His replacement, Mr Eliseu Rezende, may not allow himself to be made the scapegoat for inflation in the same way as his two predecessors.

Insurers brace for New York bomb damage claims

By Richard Lapper

INSURERS could face claims of many hundreds of millions of dollars as a result of the weekend's bomb damage at the World Trade Centre in New York City. However, with considerable uncertainty over the circumstances of the claim, it is likely to be weeks before the industry provides an estimate of the loss.

"We already know this is going to exceed the definition of a catastrophe, there is no question about that," Mr Ronald Krauss of the American Insurance Association said yesterday.

It is going to be "a loss running into billions of dollars", said one London broker.

The New York Port Authority, which owns and operates the centre, has a complex series of insurance policies covering both property and liability claims.

Assuming that these are valid in the case of a terrorist attack - which could not be verified last night - claims will be substantial. Insurance analysts described the closure of the towers as a "catastrophe" for the insurance industry.

On the Port Authority programme, US insurers will meet most claims up to \$400m. The troubled Lloyd's of London insurance market has a limited exposure to any potential claims through a reinsurance

arrangement covering some \$200m of losses above \$400m for all property damage and similar amount of losses arising from liability claims.

Brokers CE Heath placed both reinsurance programmes into the London market.

Claims could also come from the building's tenants, which make their own separate insurance arrangements to cover risks to property, business interruption and liabilities.

Insurers believe that claims arising from damage to the building's fabric and interruption to business alone will be substantial. In the UK insurers have paid \$300m in property and business interruption claims following the bomb attack on the Commercial Union building in the City last April.

In New York the threat of legal action - both from the wounded and relatives of the five people killed in the attack, as well as potentially from commercial interests - can be expected to increase the scale of the claim.

Many of those caught up in the bombing might lodge claims to compensate for stress, which would leave insurers with additional claims on workers' compensation and other policies.

"This is one of the most litigious cities in the world. It is a can of worms," commented one London broker.



New York Police Commissioner Raymond Kelly in front of the World Trade Centre towers, hit by a bomb last week that left five dead. Police officers have found traces of nitrate, an ingredient in dynamite, at the blast site but investigation is being hampered by the instability of the twisted rubble beneath the towers. However, authorities say they have a number of leads.

Cocaine suspect surrenders

THE man considered by police to be the financial brains behind the Medellín cocaine cartel has surrendered to authorities, the attorney general's office said yesterday, AP reports from Bogotá.

Mr Jose Fernando Posada, 38, turned himself over to representatives of the Medellín prosecutors' office waiting outside a cinema on Sunday night. He was taken to a maximum security prison outside Medellín where 17 other cartel members are being held.

Mr Posada was the fourth leading cartel member to surrender in recent weeks under a government offer of leniency. Authorities say the surrenders

are weakening the organisation led by fugitive drug lord Mr Pablo Escobar.

Meanwhile, a wealthy Medellín businessman who is reported to have links to Mr Escobar was kidnapped yesterday, police said. Mr Luis Guillermo Londono White was abducted from his home by about 15 gunmen.

The abduction came 48 hours after an attack on the home of his brother, Mr Diego Londono White, an architect who has said he once worked for Mr Escobar.

Mr Diego Londono White told Medellín television that the gunmen were members of People Persecuted by Pablo

Escobar, a secretive group that has pledged to kill Mr Escobar.

Reuter adds: Colombian authorities seized nearly \$5.9m in more than 890 domestic bank accounts and arrested 250 people during a 15-month crackdown on drug traffickers' money-laundering networks, the Colprensa news service said on Sunday.

Quoting police, Colprensa said Colombian authorities and Interpol uncovered the main networks used by the Cali and Medellín drug cartels in a 15-month investigation.

It said the cartels moved their money through fictitious export and import companies and money exchange houses.

Chamorro draws fire over Sandinistas link

NICARAGUA'S President Violeta Chamorro is facing mounting protests against her government's links with the leftist Sandinistas, her predecessors in office, Reuter reports from Managua.

On Sunday about 30,000 protesters packed Managua's main plaza, many shouting "Out! Out! Out!" at the mention of the president's name. The crowds arrived by bus from the west of the country and from marches held in the capital.

The speakers, cheered on by the crowd, accused Mrs Chamorro of betraying promises from the 1990 campaign, when she headed the 14 parties that formed the National Opposition Union to defeat the Sandinistas.

No incidents were reported in the rally, organised by right-wing politicians from the same coalition that elected Mrs Chamorro three years ago, but one

leader threatened to call for widespread civil disobedience against the government.

A series of speakers urged Mrs Chamorro to dismiss her chief aide, Mr Antonio Lacayo, and General Humberto Ortega, the Sandinista who stayed on as chief of the defence forces.

A virulent attack on Mr Ortega by US Senator Jesse Helms was read out at the demonstration.

Mr Helms, a North Carolina Republican, has helped delay US aid to Nicaragua on the grounds that the Sandinistas wield too much power. The Sandinistas won 42 per cent of the vote in the 1990 elections.

Mrs Chamorro has rolled back much of the Sandinistas' revolutionary programme, established a largely free-market economy and widened the bounds for political dissent.

Campbell sets pace in Canada succession race

IT HAS taken less than two months for Ms Kim Campbell to make her mark as Canada's defence minister. Foreign diplomats have already detected a more forceful articulation of defence policy, ranging from a blunt affirmation of Ottawa's contentious order for 60 European-built helicopters, to the deployment of Canadian troops on a risky new mission in Bosnia-Herzegovina.

The diplomats have also noticed that, since Ms Campbell took over the portfolio in January, statements which used to be made by the chief of defence staff now come from the minister's office.

Such evidence of decisiveness and ambition help explain why Ms Campbell - whose real first name is Avril - has quickly emerged as the front-runner to succeed Mr Brian Mulroney as Canada's 19th prime minister.

Mr Mulroney announced his resignation last week but, as is normal in Canada, will remain in office until his party holds a convention to choose a new leader. The convention will probably be held in June,

Bernard Simon on the forceful defence minister widely tipped to replace Brian Mulroney as prime minister later this year

giving the new leader no more than five months to prepare for the general election, which must be held by November.

No one has yet stepped forward as an official candidate. For the moment all those who may be in the running are taking the lie of the land, putting together alliances and organisations, and scraping together the substantial funds required for a leadership campaign.

Besides Ms Campbell, the candidates are expected to include Mr Perrin Beatty, communications minister, and Mr Jean Charest, who holds the environment portfolio. Mr Michael Wilson, the veteran trade minister, may also throw his hat into the ring.

Each of these men appears, however, to have a weak spot.

Mr Beatty, who is in his early 40s, has been in parliament for 21 years but is widely regarded as lacking substance. Mr

Charest, 34, is bright, personable and bilingual. But convention delegates, many of them from western Canada, are unlikely to favour one Quebecer handing over the leadership to another. Mr Charest will probably emerge from the convention as a man to watch in the future.

Mr Wilson's seniority is offset by his plodding manner, his poor French and his identification with the most unpopular policies of the Mulroney era, such as free trade and the goods and services sales tax.

Early opinion polls indicate that, of all the prospective candidates, Ms Campbell has the best chance of narrowing the gap which has opened between the Conservatives and the opposition Liberals.

Before last week, the Liberals could count on the backing of about 45 per cent of decided voters, against less than 19 per cent for the Conservatives. But according

to a Gallup poll taken shortly after Mr Mulroney's announcement, the two parties would be almost neck-and-neck with Ms Campbell at the helm. Mr Wilson was the second most popular choice.

Ms Campbell, who turns 46 next week, has the rare combination in Canadian politics of being a woman from British Columbia who speaks fluent French. She gained a reputation during three years as justice minister as an intelligent, ambitious and forthright politician with a knack for pushing legislation through parliament.

"She knows what she wants, but she's able to work in a team and to convince people that she has the right solution," says Mrs Paule Gauthier, president of the Canadian Bar Association.

The UK government will have an opportunity to size up Ms Campbell when she visits London later this month for talks

with Mr Malcolm Rifkind, her British counterpart.

Political observers say Ms Campbell's biggest handicap is an intellectual aloofness. She studied Soviet government at the London School of Economics (and speaks passable Russian), lectured in political science at the University of British Columbia and, in her mid-30s, qualified as a lawyer. Her hobbies include painting and playing the cello.

Opinions are divided on whether Ms Campbell can repeat Mr Mulroney's success in persuading Quebecers to vote Conservative; she is not well known in the francophone province. The Tories have yet to cement the Quebec political organisation crucial to victories in 1984 and 1988.

One favourite convention scenario is that Ms Campbell will emerge as the winner, but with a Quebec "Lieutenant" at her side, perhaps Mr Charest or Mr Benoit Bouchard, the popular health and welfare minister. But with three months to go before delegates gather, no firm bets are being placed.



Kim Campbell: 'Knows what she wants'

House starts in Japan slow down

By Charles Leadbeater
in Tokyo

JAPANESE housing starts, which have been one of the few bright spots in an increasingly bleak economic landscape, may be slowing down, the country's construction ministry reported yesterday.

The ministry said housing starts appeared to be entering a slowdown phase after their strong growth in the second half of last year, with a 0.9 per cent rise in January compared with the same month last year.

The slowdown is likely to add to pressure for the government to include tax credits on housing in a special package to stimulate the economy.

The package is expected to be announced soon after the original budget for 1993 passes through parliament later this month.

For the past few months the strong growth of housing starts has been one of the few straws in the wind that economic policymakers have pointed to as evidence that the economy may not be heading for outright recession.

The marginal rise in housing starts in January followed a 5.4 per cent rise in December. The construction ministry expects that housing starts for February will be below the level of last year, particularly because fewer houses for rent are being built.

Generally, however, the construction industry is starting

to feel the full force of the sharp increase in public works spending under the ¥10,700bn (¥83bn) emergency spending programme announced last year. Orders received by the country's top 50 contractors in January were 7.6 per cent up on the year before, the first annual increase for nine months. The rise was due to a 60 per cent jump in public sector demand.

The financial authorities hope this public spending will gradually feed its way through into higher production in industries such as steel and chemicals, which will in turn stimulate investment.

Consumer spending is likely to remain severely depressed however. Household spending fell by 0.9 per cent in real terms in December, while new vehicle registrations last month were 7.9 per cent down on last year, according to the Japan Automobile Dealers' Association.

Isuzu Motor, which is pulling out of passenger car production, reported a 27 per cent drop in registrations.

Japanese companies' profits are likely to suffer a continuing squeeze, according to official figures published yesterday which show that unit labour costs rose by 8.5 per cent in the final quarter of last year and by 4.7 per cent in January.

Productivity was 7.5 per cent down in January on the year before.

Canada becomes an Australian issue

Mulroney's tax policy makes its mark on the election campaign, writes Kevin Brown

AUSTRALIA'S somewhat lacklustre federal election campaign came to life last week on the day that Mr Paul Keating, the prime minister, promised that a re-elected Labor government would review the future of the monarchy. But it was not Mr Keating's tepid republicanism which caught the public imagination.

Paradoxically, Australians were more interested in the resignation of Mr Brian Mulroney, Canada's Conservative prime minister, whose profile was previously rather lower than that of the Toronto Blue Jays baseball team.

Mr Mulroney was catapulted into the campaign because he is associated with the introduction of a goods and services tax (GST), the one issue which could prove capable of preventing the election of a conservative Liberal/National party government when Australians go to the polls on March 13.

Opinion polls suggest that Australian voters do not believe Labor's claims that rapid economic growth will soon reduce unemployment, which peaked in November at 11.4 per cent.

After a decade in power, Labor lacks credibility on economic issues, as illustrated by the cool response to Mr Keating's economic statement at the beginning of the campaign.

But many voters are also fearful of the opposition's tax proposals, raising hopes among Labor advisers that a well-thought-out negative campaign may yet enable the government to stage off defeat.

In line with this strategy, Mr Keating has dropped the statesmanlike style he adopted at the beginning of the campaign in

Australia's official interest rates are likely to be cut later this month following an unexpected improvement in the current account deficit and a rise in the value of the Australian dollar, Kevin Brown writes.

The Labor government and the conservative opposition parties both indicated that the stronger currency clears the way for a cut in rates, whatever the outcome of the federal election on March 13.

The Australian dollar closed just over one US cent higher at 70.27 cents after the government statistical agency said the current account deficit narrowed in January to A\$489m (£232m), seasonally adjusted. The January figure was the lowest monthly deficit for five years.

The agency also issued revised monthly figures for the first six months of the 1992-93 financial year which suggested that the full-year deficit will be below the Treasury forecast of A\$17bn.

The announcement sparked a bond market rally which cut the yield on the 10-year bond to 7.75 per cent from 7.98 per cent. The yield on three-month bills fell nine points to 5.41 per cent.

The last easing of monetary policy was in July, when the official cash rate was reduced by 75 basis points to 5.75 per cent.

favour a bawling onslaught on the proposed GST, which he describes as "a monster".

"This is not some small tax on the edge. The result will be that the Australian lifestyle as we know it will change forever," he warned in a rowdy television debate with Mr John Hewson, the conservative leader.

Against this background, the upheaval in Ottawa was a heaven-sent opportunity for Labor, which Mr Keating boldly exploited by asserting that Mr Mulroney had been forced to quit by public anger about Canada's GST.

His explanation ignored the strains imposed on Canada by recession, high unemployment, the North American Free Trade Agreement and Mr Mulroney's failure to resolve Canada's constitutional problems.

It was also challenged by commentators with knowledge of Canada, who pointed out that the conservative proposal forms part of a wide-ranging

dence on foreign capital by encouraging domestic saving.

It also claims that most voters would be better off because the GST would be offset by personal tax cuts and the abolition of seven indirect taxes, including payroll tax, wholesale sales tax and petroleum excise tax.

But Mr Hewson knows that while a few thousand voters will read the platform, many more may respond to Mr Keating's simpler warning that the GST will increase the price of everything except basic foods by 15 per cent.

The result is likely to be a messy exchange of slogans in the last two weeks of the campaign as the government tries to exploit its advantage on the public relations battlefield where the election will be decided.

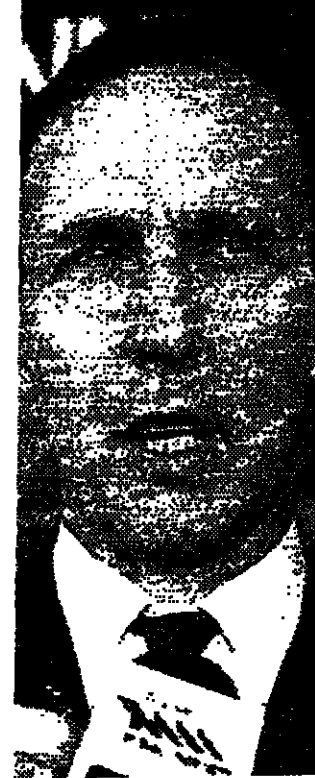
Tough campaigning comes naturally to Mr Keating, a master of the pithy phrase, whose insulting labels for Mr Hewson include "Dr Doom" and "Gordon Gekko" the fictional Hollywood businessman whose creed was "Greed is Good".

Mr Hewson attempted to win back the initiative yesterday with an attack on Labor's "secret taxes", such as the variable rate sales tax which is added to the retail price of most consumer products.

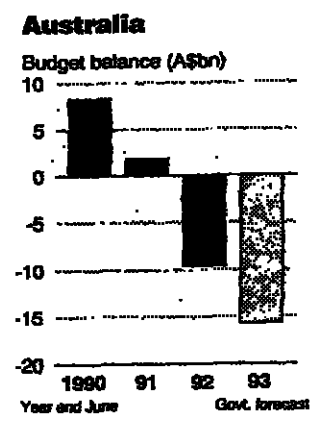
He also showed that he is prepared to step up his own rhetoric in an attempt to put the prime minister on the defensive in the last phase of the campaign.

"He has got no plan, he has got no answers, all he has got left is a negative scare campaign," Mr Hewson told supporters in Sydney.

Future for the banks, see International Company News



Keating: dropped his statesmanlike style



Beijing quashes HK voting role

By Simon Holberton
in Hong Kong

HONG KONG was yesterday given a glimpse of its future ruler's intentions when a senior Chinese official ruled out publicly a role for Hong Kong in determining arrangements for its 1994 and 1995 elections.

In so saying, Mr Lu Ping, director of the Hong Kong and Macao Affairs Office of the State Council (cabinet), made it plain that China's key concern with Governor Chris Patten's proposals for greater democracy was not only with their substance but the thought that the Legislative Council, the colony's lawmaking body, might have a part in determining them.

In an impromptu but carefully scripted meeting with Hong Kong's media in Beijing, Mr Lu said Britain would have to guarantee that Hong Kong's Legislative Council go along with any Sino-British deal.

"If not, then you don't need to talk. What use is it?" he said.

Mr Lu, who by most accounts is well informed on Hong Kong matters, must know that such a precondition to talks is one the British government and Mr Patten could not agree to and is, indeed, impossible to guarantee.

As Mr Douglas Hurd, Britain's foreign secretary, said in an interview published in Sunday's South China Morning Post: "The constitutional position is clear: the Legislative Council is responsible for enacting the legislation for the 1994 and 1995 elections. We will stand by LegCo's decision."

Mr Lu must also have known that Mr Hurd's position was firmly based in reality. In late 1991, LegCo threw out a deal that Britain and China had made on the Court of Final Appeal - the court which will become Hong Kong's highest

appellate court after the colony reverts to Chinese sovereignty in 1997.

This issue still sits in limbo awaiting either renegotiation with China or a change of heart in LegCo.

Hong Kong has been in threat to daily reports of "talks about talks". They have dominated local newspapers ever since Chinese officials leaked the news that the two sides were discussing the possibility of dialogue three weeks ago.

The stock market has taken heart ever since. Yesterday the blue-chip Hang Seng index ended 46.83 points, or 0.74 per cent, higher at 6,398.82 - a whisker short of its all-time high of 6,447 in November.

But as the "talks about talks" drag on, China appears more and more to be manoeuvring. A month ago Mr Patten's Executive Council, his highest advisory body, signed off his proposed legislation without amendment. Only then did China hint that it might be prepared to accept Mr Patten's offer of talks made as far back as last October.

The past three weeks have been difficult for Mr Patten and his government and have cast him on the horns of a dilemma. There is widespread support in the community for Sino-British dialogue and Mr Patten does not want to be seen as the party who scuppered talks before they had a chance of starting. But the longer he delays the greater the risk he faces of losing the momentum that has built up behind his proposals and the support he has in the legislature and the community.

Last week, after his third delay in introducing the legislation into LegCo, an adviser said Mr Patten had to go "an extra mile" to show Britain's sincerity in offering talks. But after Mr Lu's demarche yesterday, he may be advised that it was "a mile too far".

China to act on power stations

CHINA is ready to allow 100 per cent foreign ownership of power stations in an attempt to tackle energy shortages caused by explosive economic growth, a senior government official said, Reuters reports from Hong Kong.

Mr Zhou Beilang of the Ministry of Machinery and Electronics said China would need to invest at least Yuan 50bn (£5bn) at 1993 prices in power plants up to the year 2000.

Hong Kong companies have led the drive to build up China's power industry but have done so by forming joint ventures with local partners to build and run plants.

But Mr Zhou, who is director of the ministry's Department of Major Project Equipment, said: "We welcome foreign businessmen to China to build wholly-owned power plants."

In Hong Kong recently, he said power shortages were especially severe in Shanghai, Beijing and Guangzhou. China's economy grew 12.5 per cent last year, over twice the original target. Internal funds were insufficient to boost power output.

"Premier Li Peng has said part of the market should be reserved for foreign businessmen and they should be allowed to make profits," Mr Zhou added.

But some analysts said foreign investors might well prefer to continue working in joint ventures because Chinese partners have the influence needed to cut through red tape.

Mr Allan Ng, of S.G. Warburg Securities, said Chinese infrastructure projects could be profitable. But foreign companies should not bypass local partners unless familiar with China.

Problems could arise if utility tariffs did not rise quickly enough. "Setting up a wholly-owned subsidiary could be unfavourable while the government regulates tariffs."



ARMS AND THE WOMEN: Members of Iran's main opposition group, the Mujahideen Khalq, in training. The Khalq plans to intensify its decade-old campaign to overthrow the regime in Tehran, and wants help from the Clinton administration

India plans more currency liberalisation soon

By Stefan Wagstyl in
New Delhi and
R.C. Murthy in Bombay

THE INDIAN government, which this week floated the rupee on foreign exchange markets, is planning further currency liberalisation "in the near future", Mr Manmohan Singh, the finance minister, said yesterday.

Mr Singh told a press conference he was considering ending restrictions on the amounts of foreign exchange Indians could take out of the country for travel and other purposes covered by the current account.

"We want to go for full current account convertibility in the near future," he said.

Mr Singh was commenting on the annual budget, which he presented on Saturday and which contained wide-ranging economic reforms, including the liberalisation of the rupee

for trade-related transactions.

This involves the abolition of a system of dual exchange rates - a free-market rate (last week about Rs31 to the US dollar) and an official rate (Rs36 to the dollar).

By abolishing dual rates, Mr Singh hopes to boost business for exporters, who can now exchange all revenues at market rates. However, the government will have to pay more for imports.

The exchange markets were closed yesterday to give bankers time to consider the changes. When dealings start today, Finance Ministry officials expect the rupee to settle close to last week's free market rate.

Some foreign exchange dealers believe there could be big swings in early trading as dealers try to find a level for the currency. However, the Reserve Bank of India, the central bank, has the right to

as investors judged that the budget fell short of their expectations.

The chief disappointment was the finance minister's failure to cut corporation tax or capital gains tax.

The Bombay stock exchange's index of leading shares fell 81.22 to 2,571.18, after losing 180 on Saturday.

The decline reflects investors' belief that a cut in corporation tax would have been an immediate boost to profits. Industrialists, mostly having a longer-term horizon, have reacted much more positively to a budget which has brought big cuts in import duties and domestic sales taxes - moves which give scope for increasing margins.

After the budget, the Finance Ministry must now prepare for negotiations this month with the International Monetary Fund for a loan to help tide India over any unexpected balance-of-payments problems.

The IMF, which is monitoring India's reforms, has supported the country so far with a stand-by credit which expires at the end of the current financial year this month. For next year, India hopes to negotiate exceptional financing of about \$2.5bn (£1.76bn).

The 1993-94 budget includes measures welcome to the IMF, such as customs duty cuts, a reduction in the fiscal deficit and financial sector reforms. But Mr Singh has not gone as far as the IMF would wish. The government's target for the fiscal deficit is 4.5 per cent of GDP, whereas the IMF would like it to be under 4 per cent.

Mr Singh made clear yesterday he had gone as far with liberalisation as far with liberalisation allowed. "The world has to accept that India is a functioning democracy," he said.

They remain suspicious of the increasing power of Mr Hariri, a Sunni Muslim, at the expense of the presidency which is reserved for a Maronite Christian. Last month Mr Hariri clashed with President Elias Hrawi over government appointments, marking the end of the political honeymoon.

The Maronite businessmen, who have a large part of the estimated \$30bn-40bn held by nationals abroad, were accused of leading an attack on the Lebanese pound in an effort to weaken the government.

The Kataeb, the Maronite political party, is also torn by an internal power struggle. Another problem is the continued power of the Islamic

fundamentalist Hizbollah which is building its influence through charitable activities. Curbing the Hizbollah and finding a political solution to Maronite discontent are largely dependent on external factors. Hizbollah remains almost untouchable while it heads the forces fighting against Israeli occupation in the south of Lebanon.

The Maronites are unlikely to be reassured until the Syrians abide by the Taif accord and redeploy all their 40,000 troops to Lebanon's Bekaa Valley.

Regaining Lebanese sovereignty will be critical to overcoming the looming political problems and without it Mr Hariri will find his grand economic ambitions much more difficult to achieve.

Phoenix of Beirut starts to rise from the ashes of civil war

By Julien Ozanne in Beirut

THE chic and wealthy young wives of east Beirut browse through the Coco Chanel and French lingerie stores in the modern glass and steel ABC indoor shopping mall, built after the end of the civil war.

After a busy morning buying expensive perfume, cosmetics and designer clothes during occasional power cuts the fashionable women eat a light lunch together before zooming home in BMWs and Mercedes.

On both sides of the city, once divided by the rubble-strewn killing zone known as "The Green Line," a new Beirut is rising from the debris of 15 years of fratricidal bloodshed.

Two years of peace and five

months of government under billionaire prime minister Rafik Al-Hariri has restored confidence to many Lebanese. The government has started to reassert economic control and speeded-up a massive \$5bn (£3.46bn) public and private reconstruction of the city. The political situation remains volatile and the government faces a Herculean challenge in financing its rehabilitation plans and stabilising an economy awash with corruption, unemployment, poverty and mismanagement.

The armed sectarian militias who once mounted checkpoints and ran parts of the city as fiefdoms have been cleared off the streets and replaced with the Lebanese Army. Syrian troops still operate checkpoints, marked by pictures of

President Hafez al-Assad taken against a bouquet of red roses, but their presence is more discreet.

Much of the business optimism is based on a belief in the miracles expected from the government of Mr Hariri. Mr Michel Sinoura, finance minister, says the government has already made substantial economic gains, particularly in turning round the balance of payments deficit.

The Lebanese pound has been stabilised, despite a politically-motivated attack on the currency in late January which was successfully fought off by a \$300m Central Bank intervention.

Mr Sinoura says major efforts are under way to slash a soaring budget deficit of L£1,200bn (\$472m) last year by

reducing expenditure and improving revenue collection. Stabilising the macro-economic environment and reforming an unwieldy and disintegrated public service are critical in attracting the huge sums

the city's infrastructure. Mr Al-Padi Chalal, President of the Council for Development and Reconstruction (CDR), says the CDR has just completed pre-qualification of tenders for the \$250m-280m elec-

The government is reasserting economic control and speeded a \$5bn public and private reconstruction of the ruined city

required to implement the government's reconstruction plans. On the public sector side the government is trying to speed implementation of a World Bank-backed \$2.3bn three year project for rebuilding and modernising

strictly rehabilitation and expects to award the tender in July. All other projects are almost ready to go to tender. However the CDR has so far only received financing pledges for \$400m. The rest may be raised at a Paris meeting of

donors in April. In the private sector, the second major thrust of the reconstruction project is a controversial \$3bn plan to rehabilitate 1.3m square metres, including 660,000 square metres of private property, in the bombed out centre of Beirut.

While western diplomats say the economic plans and achievements of the government are impressive, there are still serious constraints. Politically, Mr Hariri is walking a tightrope between the different factions.

The Maronite-Christian community boycotted last year's elections because of the continued presence of Syrian troops in Beirut in contravention of the peace agreement hammered out in late 1989 in Taif,

SAUDI ARABIA.

They remain suspicious of the increasing power of Mr Hariri, a Sunni Muslim, at the expense of the presidency which is reserved for a Maronite Christian. Last month Mr Hariri clashed with President Elias Hrawi over government appointments, marking the end of the political honeymoon.

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Regaining Lebanese sovereignty will be critical to overcoming the looming political problems and without it Mr Hariri will find his grand economic ambitions much more difficult to achieve.

Suharto promises to relax 'iron grip'

By William Keeling in Jakarta

PRESIDENT Suharto of Indonesia yesterday opened the national assembly with a promise to relax the "iron grip" of government.

"We have been enjoying dynamic national stability for more than a quarter of a century. Such stability cannot be maintained by an iron hand, regardless of its strength," he told the People's Consultative Assembly.

Government critics, who say the assembly itself reflects the government's intolerance of democracy, greeted the speech with cynicism.

The 1,000-member assembly, which meets once every five years to elect president and vice-president and discuss state policy, is certain to elect the unelected President Suharto for his sixth five-year term. General Try Sutrisno, who last month retired as head of the armed forces, is expected to be elected vice-president.

Although the assembly is the nation's highest body, it has never used its power to initiate legislation and remains, critics say, beholden to the president. Its membership consists of 500 members of the lower parliament - which is dominated by Golkar, the governing party, and representatives of the armed forces - and a further 500 people directly appointed by the government.

The government also dissuades the assembly from using its right to vote, arguing that agreement by consensus better reflects Indonesian values. Members have been told not to disrupt the meeting.

Government supporters, however, say the assembly's support of the government has been the bedrock for political stability and economic growth.

Algeria accused of torture

Torture has become widespread and human rights violations have increased dramatically since Algeria was placed under a state of emergency a year ago, Amnesty International said yesterday, Reuters reports from London.

The human rights organisation said that since February 1992 more than 9,000 suspected Islamic activists had been held in internment camps in the desert without charge or trial; 1,000 were still held.

About 300 people have been killed by security forces. Amnesty said a significant number appeared to have been innocent bystanders deliberately killed.

هكذا من الناحية



ISTITUTO PER LA RICOSTRUZIONE INDUSTRIALE (IRI) S.p.A.

INVITATION TO OFFER FOR FINANZIARIA ITALGEL S.P.A. AND FINANZIARIA CIRIO-BERTOLLI-DE RICA S.P.A. WHICH WILL BE OWNED BY IRI AND MINORITY SHAREHOLDERS AFTER THE DEMERGER OF SME

On January 7, 1993 a meeting of the shareholders of Istituto per la Ricostruzione Industriale S.p.A. ("IRI"), (headquartered in Rome, Via Vittorio Veneto 89), approved the plan for the demerger of Società Meridionale Finanziaria S.p.A. ("SME"), (headquartered in Naples - Centro Direzionale, Via G. Porzio, 4, Isola A, Edificio 7). IRI owns 62.12% of SME's share capital. On February 2, 1993 the Board of Directors of SME began procedures for the demerger. The demerger project, which will need to be approved by the statutory bodies of SME, foresees, among other things, the formation of two companies, **Finanziaria Italgel S.p.A.** and **Finanziaria Cirio-Bertolli-De Rica S.p.A.** (the "Companies"), the transfer to these Companies, respectively, of all the shares held by SME in Italgel S.p.A. ("Italgel") (100%) and Cirio-Bertolli-De Rica Società Generale delle Conserve Alimentari S.p.A. ("CBD") (99.99%) and the assignment of shares in the newly constituted Companies to the shareholders of SME proportionally to their stake in SME's share capital.

A request for quotation on the Stock Exchanges of Florence, Genoa, Milan, Naples, Palermo, Rome, Turin and Trieste for each of the Companies is expected.

Simultaneously with the establishment of the procedures for the demerger and depending on the implementation of the latter, IRI intends to solicit and to screen acquisition offers for that part of the share capital of each of **Finanziaria Italgel S.p.A.** and **Finanziaria Cirio-Bertolli-De Rica S.p.A.** which IRI will hold as a result of the demerger.

For the purposes of this transaction IRI has engaged the services of Wasserstein Perella International Limited ("WP"). Interested parties should direct any enquiries to the following:

Wasserstein Perella and Co. Limited

10-11 Park Place
London SW1A 1LP
England

Marco Capello - Director
Karen Dodd - Associate
Tel: (44-71) 499 4664
Fax: (44-71) 495 2545

Wasserstein Perella & Co., Inc.

31 West 52nd Street
New York, NY 10019
USA

Robert Puzan - Vice President
Tel: (212) 969 2700
Fax: (212) 969 7879

Offers can be presented for the shares of one or both of the Companies. If offers refer to both Companies, such offers must be separated.

The assets of **Finanziaria Italgel S.p.A.** and **Finanziaria Cirio-Bertolli-De Rica S.p.A.** will essentially consist of the shares of **Italgel** and **CBD** respectively. Some key facts relating to the latter two companies are given below.

• **Italgel S.p.A.**, headquartered in Parma, Via Mentana, 43, is registered with the law courts of Parma n. 4075, has fully paid up share capital of Lit 70 billion and is involved in the production and sale of ice-cream, frozen pastries and frozen food products.

The production value in 1991 was Lit 743.2 billion.

The total number of employees at 31 December, 1991 was 1,628.

Location of manufacturing facilities: Benevento, Ferentino (FR), Parma, Porto d'Ascoli di San Benedetto del Tronto (AP).

Principal subsidiaries:

- Gruppo Dolcario Italiano S.p.A. of Novara. Activities: production of panettone, pandoro, colombe and chocolate eggs.

- Ingedo S.p.A. of Parma. Activities: leasing of real estate and fixed assets.

• **Cirio-Bertolli-De Rica Società Generale delle Conserve Alimentari S.p.A.**, headquartered in Naples, Centro Direzionale, Isola B, Loto 2, Palazzo Genedil, is registered with the law courts of Naples, n. 3362/81, has fully paid up share capital of Lit 147.56 billion, and is active in the manufacturing and distribution of food products.

The production value in 1991 was Lit 760.7 billion.

The total number of employees at 31 December, 1991 was 1,380.

Location of manufacturing facilities: Calvano (NA), Pagani (SA), Piana di Monteverna (CE), Livorno, Lucca, S. Polo di Podenzano (PC), Frosinone, Fiorenzuola d'Arda (PC), Arenaro (RM), Santa Maria a Vico (CE).

Principal subsidiaries:

- La Paganeria S.p.A. of Naples. Activities: management of an agricultural company.

- Società Generale delle Fattorie Latte Italia S.p.A. of Naples. Activities: management of agricultural companies.

- Calabrialte S.p.A. of Lamezia Terme (CZ). Activities: marketing of regional food products.

- Sif SME International Foods of Novara. Activities: management of the group's activities abroad.

- SME Ricerche S.C.p.A. of Naples. Activities: studies and research in the food sector.

This invitation is being extended only to limited liability companies or other entities which as of the date of the last approved financial statements had net assets, or equivalent, of not less than Lit 50 billion, and where it is confirmed that this amount of net assets continues to exist at the date of request for Information Memoranda relating to **Finanziaria Italgel S.p.A.** and/or **Finanziaria Cirio-Bertolli-De Rica S.p.A.** Brokers, trustees, partnerships and single persons or private entrepreneurs are excluded.

In the event that two or more parties acting in concert are interested in making an offer, the aforementioned requirements should be adhered to by each of these parties.

Parties interested in making an offer for **Finanziaria Italgel S.p.A.** and/or **Finanziaria Cirio-Bertolli-De Rica S.p.A.**, who meet the aforementioned requirements should register such interest by contacting WP in writing not later than March 9, 1993, whereupon they will be informed as to the procedures for applying for the Information Memoranda and the sale and purchase agreement (such application to be referred to as the "request") and will be sent the text of the Confidentiality Agreement. Registration of interest by fax is acceptable.

The request should be received by WP not later than March 18, 1993 and should include: the explicit acceptance of the procedure as described in this invitation and the Confidentiality Agreement, signed by the legal representative; a copy of the Articles of Association and of the bylaws of the interested party; a list of members of the Board of Directors and Committees of the Board; financial data for the last three years or for parties established more recently, financial data for the available years; if a limited liability company, a list of the 10 principal shareholders with an indication of their relative shareholdings, eventual financiers of the acquisition (with indication of their ultimate holding companies, subsidiaries and fellows); and any other information considered necessary to illustrate the manufacturing, commercial, organisational, and financial position of the parties interested in the acquisition.

In the event that two or more parties acting in concert are interested in making an offer, the documents attached to the request should refer to each one of these parties. The request should also indicate which of the parties is fully authorised to fulfill the whole procedure and the consequent contractual obligations. Documents detailing such authorisation and the text of all agreements necessary for accomplishing the procedure must also be attached.

Any request received after March 18, 1993 or any request which does not include all of the aforementioned documents or any request presented by:

- WP, its parent companies, its subsidiaries, or fellow subsidiaries; or
- parties financed by WP with the aim of acquiring the aforementioned stake, their parent companies, subsidiaries, or fellow subsidiaries; or

- parties who provide finance to other parties for the purpose of the acquisition, their parent companies, subsidiaries and fellow subsidiaries will not be considered.

IRI reserves the right, at its sole discretion and without any obligation to explain its decision, to refrain from providing the Information Memoranda and the sale and purchase agreement.

The receipt of the Information Memoranda and of the sale and purchase agreement is a prerequisite for the presentation of an offer for acquisition.

Interested parties should, not later than 17.00 GMT on 7 April, 1993 deliver to WP at the aforementioned London address, in a sealed envelope bearing the wording "Preliminary Offer Finanziaria Italgel S.p.A./Finanziaria Cirio-Bertolli-De Rica S.p.A.", a preliminary offer (the "Preliminary Offer").

The Preliminary Offer should include the following information:

- price offered (in Italian lira)
- detailed plan of financial instruments to be used for the acquisition
- timing and procedures for the payment of the price
- guarantees offered in case of delayed payment
- approval by corporate bodies of the bidders and indication of any additional approval necessary for the final completion of the transaction
- acceptance of the sale and purchase agreement and, in general, of the rules that guide the privatisation of state-owned companies in Italy
- undertaking to offer to acquire, over and above IRI's shareholding in the equity of either or both of the Companies, the shares owned by minority shareholders on the same terms (or, if the sale of IRI's stake is completed after the listing on the Stock Exchange of the Company, the buyer should launch a Public Purchase Offer - OPA under the procedures prescribed by the current Italian laws)
- reason of the investment and strategic guidelines which would be followed after the eventual acquisition, such guidelines taking into account the national agricultural infrastructure
- undertaking to pursue the guidelines of the current corporate programmes of the Companies and their subsidiaries for which the Preliminary Offer has been made, and, in particular, to guarantee the continuity of the production, the protection of the employment at the date of the acquisition and the maintenance of the current economic and legal agreements for the individual employees
- undertaking to give effect to the procedures of information and talks with unions, in accordance with the timing and procedures set by art. 47 of law 29/12/90, n. 428
- undertaking to provide, as part of a Definitive Offer as specified below, a guarantee, autonomous and on demand, for Lit 50 billion, issued by a primary bank, valid until the completion of the sale and capable of being withdrawn starting from the 121st day after the date of presentation of the Definitive Offer. The guarantee should warrant the specific performance of all obligations, arising to potential buyers from the presentation of such offer and the eventual enhancement of it. In the event that an offer is presented by two or more parties acting in concert, each and every one of such parties will remain liable individually and severally for all obligations arising, including those deriving from the Definitive Offer as specified below.

WP will inform the parties who have presented an offer regarding their admission or otherwise to the following phase of the process, without any obligation to explain the decision.

In the following phase, WP will organise presentations with the management of the Companies and access to information further to that presented in the Information Memoranda, sending a schedule to each party admitted. This schedule will indicate the final date for the presentation of the Definitive Offer as specified below.

On such a date, the bidders should send to the notary indicated by WP, in a sealed envelope bearing the wording "Definitive Offer" ("Finanziaria Italgel S.p.A." or "Finanziaria Cirio-Bertolli-De Rica S.p.A."), confirmation or modification of the price indicated in the Preliminary Offer, expressly declaring, at the risk of being excluded from the process, that this price, confirmed or modified, is offered also for the total assets of the company in their current condition (de iure and de facto) and all legal obligations (active and passive) of **Finanziaria Italgel S.p.A./Finanziaria Cirio-Bertolli-De Rica S.p.A.** and their respective subsidiaries and other affiliated companies and that the offer is firm, not capable of being withdrawn, binding and unconditional (except for the condition that the demerger be completed), valid until the completion of the sale, still being clear that any bidders who should intend to withdraw from the acquisition will be relieved of any obligations undertaken within this transaction starting from 121st day after the presentation of the Definitive Offer.

Bidders should also enclose in the aforementioned envelope the bank guarantee which they undertook to provide with the Preliminary Offer.

Once the offers have been received, IRI, at its sole discretion and without obligation to explain its decisions, may either:

- select the buyer and start, if necessary, negotiations; or
- select the parties among which solicit price increases at a level over and above the previous best offer after, if necessary, providing further information.

The party selected by IRI, at IRI's sole discretion, as the buyer of the aforementioned shares, should comply with the rules set by law 10/10/1990, no. 287 and the procedures for information and labour consultation to be undertaken in accordance with the timing and procedures set by art. 47 of law 29/12/1990 no. 428.

Neither this invitation nor the eventual offers IRI might receive, imply for IRI any obligation of engagement to the sale towards eventual bidder, and, for the latter, any right to whatsoever performance by IRI (including the payment of brokerage and eventual advisory expenses).

IRI, at its sole discretion, without obligation to explain its decision, and at any time, reserves the right to withdraw from negotiations for the sale of the shares of one or both of the Companies and to interrupt the procedures for the sale of the shares of one or both of the Companies without the interested parties or the buyers being able to make any claim on IRI for indemnification, even for costs specific to the transaction.

Such claims may also not be made in the event that the demerger procedures do not take place due to "force majeure" and/or because of circumstances beyond the control of either IRI or SME.

This represents neither a public offer ex art. 1336 of Italian Civil Code, nor a solicitation to public saving, ex art. 1/18 of Italian law 7/6/74 no. 216 and successive modifications and integrations.

The Italian text of this announcement will prevail over any other version.

This invitation and the sale procedure are subject to Italian law; in case of any kind of controversy related to the above, the Court of Rome (Italy) will have jurisdiction.

The advertisement, for which Istituto per la Ricostruzione Industriale S.p.A. is responsible, has been approved by Wasserstein Perella & Co. Limited, a member of the Securities and Future Authority, for the purposes of Section 57 of the Financial Services Act 1986. Wasserstein Perella & Co. Limited is acting for Istituto per la Ricostruzione Industriale S.p.A. in relation to the publication of this advertisement and is not acting for any other persons and will not be responsible to such persons for providing protections afforded to customers of Wasserstein Perella & Co. Limited or advising them as to any matter referred to herein.

NEWS: WORLD TRADE

Tokyo defies US anger over supercomputer

By Michio Nakamoto
in Tokyo

THE Japanese government yesterday brushed aside US criticism of its supercomputer procurement policy and went ahead with the installation of a Japanese-made supercomputer in an attempt to end one of the most controversial trade disputes between the two countries.

Japan's National Institute for Fusion Science, a government research institute, has installed a supercomputer made by NEC, the Japanese electronics group, which won a contract over Cray Research, a leading US manufacturer.

The installation of the NEC machine rejects outright claims by the US that the Japanese company won the contract as a result of a public procurement policy that favours Japanese companies.

Mr Mickey Kantor, the US trade representative, expressed concern on Friday about Japanese public procurement of supercomputers.

The US is sending Mr Ira Wolf, assistant trade representative, to Japan at the end of the week to discuss a number of thorny trade issues, and is more than likely to touch on government procure-

ment of supercomputers.

Cray Research said yesterday it had not been able to evaluate, at a demonstration held by the Japanese research institute, whether NEC's machine met the performance criteria required to satisfy the terms of the bid. The US company has questioned whether NEC's machine could actually do what it professed to do and claimed that the institute had used an evaluation process that favoured NEC's machine.

The Japanese government, which set up a Supercomputer Procurement Review Board after US threats of retaliation, rejected Cray's complaint last October. The research institute held a test of the NEC machine's performance last week and found it met required criteria.

The Japanese side believes it holds a trump card and is not prepared to bow readily to US demands.

"Cray has already supplied a few supercomputers to Japanese government institutes," Mr Tadashi Watanabe, general manager of NEC's supercomputer marketing division, pointed out yesterday. "But not one US public body has bought a Japanese supercomputer."

A representative of the research institute said: "We realise that the ones who bought the supercomputer so we are the ones who need to be satisfied by the NEC machine's performance."

Japan to step up spending on LCDs

By Michio Nakamoto

TWO leading Japanese manufacturers of liquid crystal displays (LCDs) intend to invest a total of ¥160bn (US\$1.2bn) over the next three years in moves that could further widen the lead of Japanese LCD manufacturers over their western competitors.

Sharp plans to invest ¥80bn to expand its thin-film transistor plant in Nara prefecture in the coming fiscal year, modernise a separate plant in Nara and set up a plant in southern Japan which would begin production in 1995.

NEC, which is building a plant in Kagoshima, southern Japan, is investing ¥80bn in setting up a new thin-film transistor manufacturing plant, among other things. Total investment by the company since 1989 would rise to ¥100bn by 1996, it said.

Sharp and NEC are expanding their LCD manufacturing capacity despite the recession in the hope they can maintain leadership in a market which is expected to grow to ¥1,000bn by the next decade.

LCDs are used increasingly in portable computers, camcorders, car navigation systems, electronic diaries and other communication devices.

The industry believes that with the growth in personal communication devices, such as Apple's personal digital assistant which is scheduled for launch this year, demand for LCDs will increase.

US and Europe have been left behind in the race to capture one of the largest growth areas in electronics and western companies are dependent on Japan for LCD supplies.

Philips, the Dutch electronics group, has joined Thomson and Sagem of France in an LCD joint venture plant in an attempt to break into the market. Philips already has a pilot plant in its home country. But LCD technology requires many years of manufacturing experience and the Europeans are likely to take some time to catch up.

Irish misty eyed over Digital days

Tim Coone looks at the local impact of a shake-up in the world computer industry

THE decision last week by Digital Equipment, the US computer maker, to close its manufacturing facility at Galway in the west of Ireland has produced much dismay and soul-searching in Ireland.

Digital has been in Ireland for 22 years, and was the biggest employer in the electronics sector until its decision to concentrate production at Ayr in Scotland, with the loss of 780 jobs at the Galway factory.

The Irish government has blamed the British government for allegedly offering lucrative government contracts to Digital (although it admits to having no hard evidence).

The opposition blames the government and the Industrial Development Authority for having done "too little too late" to save the Galway factory. More nationalistic voices, including some in government, have been heard questioning the dominant role being played by multinationals in Ireland's industrial sector, and arguing that fewer tax and grant incentives should be given to foreign companies and greater support given to indigenous Irish industry.

More sober reflection by those not so close to the political front line, though, view the Digital closure as part of an inevitable shake-out of an industry facing rapid technological change.

Mr Edward Johnston, the director of the Federation of Electronic and Informatic Industries in Ireland, said: "We have to live with the fact of occasional failures in terms of closures."

Digital's Galway plant was primarily manufacturing VAX minicomputers. In early 1992 it decided to start building its new Delta workstation around its newly developed Alpha chip. According to industry sources, test marketing of the Delta in Europe proved a failure, as PCs have increasingly come to dominate the market over workstations and minicomputers.

As Digital had already begun PC manufacturing at Ayr, and had opened a new semiconductor plant in Scotland, the concentration of



Dell Computer's plant in Limerick: recent entrants have boosted Irish electronics

production at Ayr became inevitable.

Next to the food processing industry, electronics is Ireland's most important manufacturing sector. Built up in just 25 years it now employs 17,000 people with a further 7,000 employed in software production and development.

Net investment in fixed assets in the electronics sector amounts to £176m (£477m), which produces an annual output worth close to £5bn, of which 80 per cent is exported.

In the early 1970s, jobs in the industry were mainly in the basic assembly of low-cost products. Today workers are involved in the production of high-value systems, components and software.

According to the IDA, the government agency responsible for promoting inward investment into Ireland, as much as 40 per cent of the 9,000 jobs in

the electronics sector in 1980 no longer exist. Nonetheless the sector has experienced continuous growth, with high-tech plants replacing the older assembly "screwdriver plant" type operations, and demanding better trained employees.

The past year has been one of even greater change. Last year, Wang, which went into receivership, shed 75 per cent of its 700-strong workforce in Ireland. Apple was on the point of putting off 400 of their 800 workforce, but have since revised their decision.

By the end of 1993, in the space of two years, about 10 per cent of the workforce in the existing electronics industry will have been made redundant as a result of the Wang and Digital wind-downs and the closures of several smaller companies.

Nonetheless this is being offset by

new entrants such as Dell and Intel, which are making major investments which within two years could boost the sector's output by as much as 25 per cent. Dell decided to set up its sole European manufacturing base in Ireland just two years ago.

According to Mr Buddy Griffin, the managing director for manufacturing, "there has been no cause for pain or regrets. On the contrary the operation has been highly successful and facilitated very rapid growth in sales in the European market."

Intel is in the process of constructing a £500m semiconductor plant, the biggest electronics investment ever in Ireland. The plant will manufacture wafers for its new generation Pentium chip, otherwise known as the 586 processor, and will be the company's main world manufacturing facility for the processor, with sales projected at a level of "billions of dollars". Some 1,500 jobs in total will be created at the plant.

Mr Frank Turpin, the external affairs manager at Intel, said the reasons for choosing Ireland for this strategic plant were primarily due to the workforce skills available and the 10 per cent corporation tax regime.

"Due to the complexity of the technology, we felt it had to be an English language location, and in Scotland we felt we would face poaching by other companies," he said. Intel itself has poached 200 Irish engineers from other electronics companies worldwide.

Mr Dan Flinter, the executive director for overseas industry at the IDA, is in no doubt that, despite the setback of Digital's closure, the electronics industry will continue to grow in Ireland.

"We shall continue to back strong companies that want to locate here. We are in the business of applying capital resources to get the best return, not necessarily the safest."

It is not the most comforting message for the 780 who are to lose their jobs at Galway, but as Mr Turpin said: "There is a whole world of difference in the industry now compared to when Digital came to Ireland."

Indonesian power scheme

By William Keeling in Jakarta

THE Indonesian government has approved an investment licence for Mission Energy of the US to build a \$2bn (US\$1.2bn) power station at Palton in East Java. The licence follows the personal intervention of President Suharto after negotiations between the government and Mission Energy stalled last December.

The project, which consists

of two coal-fired 600 MW power units, will be Indonesia's first privately built, owned and operated station linked directly into the national grid.

The plant is at the heart of the government's drive to attract private companies into the power sector. Donors estimate Indonesia must invest \$30bn into the national grid this decade to satisfy demand, one-third of which should come from private investors.

China in US talks on Gatt entry

By Tony Walker in Beijing

SENIOR Chinese and US officials yesterday focused on conditions for China's entry to the General Agreement on Tariffs and Trade at talks in Beijing. It was the highest level contact between the US and China since the change of administration in Washington.

The US, whose negotiating team was led by Mr Douglas Newkirk, assistant trade representative for Gatt affairs, has indicated support for China's rejoining Gatt; but US officials say that the "process of Gatt accession is some way off". China was a founding member of Gatt in 1948, the year before the communists swept the US-

supported nationalists from power.

Formal consultations between Beijing and Washington on Gatt accession - China launched its bid to rejoin Gatt in 1986 - were suspended after the 1989 Tiananmen episode in which hundreds of democracy protesters died in an army crackdown.

Chinese acetic acid plant

By Andrew Taylor, Construction Correspondent

JOHN Brown, part of the Trafalgar House construction, property, hotels and shipping group, has won a \$60m (\$42m) contract to build an acetic acid production plant at Wujing near Shanghai. The contract has been awarded by China National Technical Import and

Export Corporation for Shanghai Chemical Industries.

Acetic acid is an intermediate chemical in the production of a range of items, including paints and plastics. The process equipment for the plant will be bought in Britain, says John Brown, responsible for engineering and procurement for the plant, which is expected to start production in 1996.

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061 833 3311

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British Gas faces demand for break-up

By Deborah Hargreaves

A CALL for the wholesale break-up of British Gas, the national domestic and industrial supplier, came yesterday from the industry's regulator as a way of reducing prices for household customers.

The radical proposals to introduce more competition have plunged the relationship between the company and Sir James McKinnon, director general of Ofgas, to a new low. British Gas called Sir James's proposals "a smash and grab raid" on its business that would cost £3bn over 10 years.

Sir James's proposals call for British Gas to be broken up into 12 regional marketing companies with a separate gas purchasing arm. The regional companies would not have British Gas's current monopoly over domestic supply, opening up the market for rivals.

The regulator, who has waged a battle of attrition against British Gas's market power, wants the break-up in addition to hiving off the company's pipelines and storage system.

"It's a logical development," Sir James said, "if there is any desire to give domestic customers some kind of choice, this is the route to go."

He believes more choice will lead to lower prices.

Sir James's proposals were made in a submission to the

Monopolies and Mergers Commission and released to the public yesterday. The commission is reviewing the structure of the gas industry after previous rows, and is due to make its report next month.

Mr Cedric Brown, chief executive of British Gas, who was yesterday giving evidence to the commission on why the company should not be broken up, predicted that Sir James's proposals could lead to prices increase of up to 15 per cent.

Mr Brown called Sir James's proposals "superficial and poorly argued."

British Gas said that to dismember its business would cost on average £166 for each customer as well as £1,500 per shareholder, although it gave no indication as to how the costs would break down. The company also said the industry would face disruption for 18 months.

Ofgas claims that the cost of break-up would be closer to £250m than the £3bn cited by British Gas.

British Gas has 30 rival companies already supplying industrial customers. Many of these, including the British regional electricity companies, are keen to enter the domestic market.

But British Gas says its competitors would not have the same safety standards or an obligation to maintain supplies.

Monopolies probe into UK condom market

By Robert Rice and Maggie Urry

THE £45m a year UK condom market is to be investigated by the Monopolies and Mergers Commission.

Sir Bryan Carsberg, director general of fair trading, said changes in the market meant price controls introduced after an earlier MMC inquiry in 1982 needed to be reviewed.

The supply of contraceptive sheaths in the UK is dominated by LRC Products, part of the London International Group, which has some 75 per cent of the market with its Durex

brand. Mates - originally owned by the Virgin Group but sold three years ago to the Australian Ansell Corporation - is the second largest with some 20 per cent.

When the MMC last looked at the market it concluded LRC's monopoly position with between 90 per cent and 95 per cent of the market operated against the public interest, and that its prices might be expected to become excessive.

LRC gave undertakings to the Office of Fair Trading that it would limit growth in its average realised price - total UK turnover divided by total

UK volume - to below 1.5 per cent below an index of costs close to the retail price index.

Sir Bryan said yesterday: "Although the price control arrangements have restrained the rate of increase of average realised prices, I believe the market has changed and the price control arrangements now need to be reviewed."

He said he would be particularly interested in the MMC's views on the price control mechanism and whether it had damaged the prospect of successful competition.

LIG yesterday welcomed the MMC reference. It said that the

business affected represented about £20m of sales, at whole-sale prices, 5 per cent of group turnover. LIG's shares fell on the news but recovered to close unchanged at 220p. The company said the UK was the only market where it faced price controls.

The commission has been given nine months to report.

Procedures for investigating monopolies and mergers by the UK competition authorities are slow in focusing on the real issues, involve duplication of effort and impose an unnecessary burden on managements over an extended period,

according to a survey by accountants Ernst & Young.

The survey of 25 companies involved in recent MMC inquiries found the Office of Fair Trading was thought to be too quick to initiate inquiries and gave inadequate explanations of the reasons for references to the MMC. The companies also felt the MMC collected too much detailed information, that there was a lack of commercial awareness in both the OFT and the MMC and that MMC inquiries were too wide ranging with issues of little relevance still left open at a late stage of the inquiry.

St David sets pace for council reforms

By Anthony Moreton

THE government yesterday chose the feast of St David, the patron saint of Wales, to announce the reorganisation of local government in the principality. Similar plans are being discussed in Scotland and in England.

Local government in Britain, last reorganised in 1974 and 1975 by the Conservatives, faces widespread reform. In Wales the government intends to replace the eight current counties and 37 districts with 21 unitary authorities responsible for all local services.

The Welsh capital, to be known in future as the city and county of Cardiff, is to be given a special role in the reorganisation. A study is to be undertaken of how the city, and its position as capital, should develop over the next 25 years.

Elections for the new councils will be held next year and they authorities will come into being legally on April 1 1995.

Counties, the basic building blocks of local government in Britain, stretch back to Saxon times. Some, like Kent and Sussex, were kingdoms. Others were formed by Act of Parliament.

The first comprehensive system of local government was set up in the nineteenth century. The 1974 reforms created two tiers: county and district.

The present reforms were set in motion in 1992 and are expected to produce more "one tier", or unitary, councils: although local conditions are likely to mean exceptions to the pattern.

In the twentieth century local government has provided a wide range of services such as street cleaning, education, environmental health control, road building, street lighting, and monitoring the police.

A report last month by management consultants Touche Ross put the cost of the reorganisation ranging from as low as £66m over 15 years to as much as £153m at constant prices. Touche Ross also projected potential savings from a minimum of £17m a year.

John Birt to join salaried staff at BBC

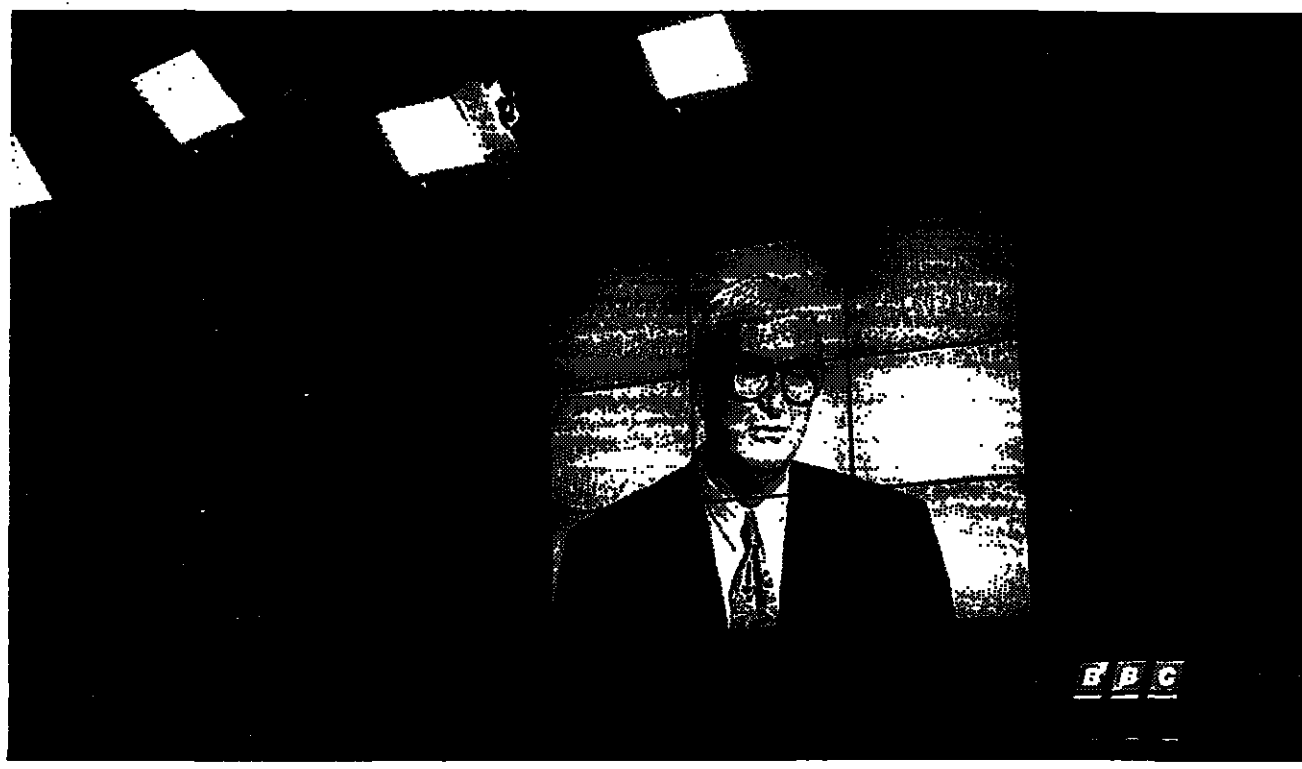
MR JOHN Birt, director general of the BBC, yesterday decided he would become a salaried employee of the Corporation for the first time since joining as deputy director-general.

Mr Birt's change of status follows revelations that for six years he had been paid through a private company - John Birt Productions.

Until now Mr Birt had been paid gross to this company. It is not clear if he will be compensated for not being paid this way in future and is likely to have to pay more tax.

Mr Birt (pictured right) said yesterday: "I have today told the BBC I would like to accept their offer to change my status and to become a member of the BBC's staff."

Editorial Comment, Page 15



Parliament costs taxpayers £200m

PARLIAMENT is to cost the taxpayer more than £200m for the first time next year, according to Treasury figures, writes Alison Smith.

Revised figures, to be published next week, will show that the total cost of the House of Commons and the House of Lords is £198m for 1992-93, and is estimated to be £210m in the financial year beginning next month. This figure is based on cutting the salary bill by £3m.

At a time when the government is cracking down on public spending in every department, the parliamentary budget is one area over which ministers have little control.

Treasury officials say the sharp increase in the Commons budget for fees and salaries from £58m last year to £72m this year, comes partly from MPs' decision last summer to reject government advice and vote themselves a

rise which took the office costs allowance for each of them to almost £40,000 - more than their annual salary.

Spending on the Lords, including allowances for the 400 or so peers who regularly attend, is planned to rise from £26m this year to £41m next year, while spending on Commons administration is set to rise from £90m to £100m.

Exact comparisons with previous years are difficult,

because until recently costs such as printing or building work were concealed in other departments' budgets.

Since parliament sits for longer each year than many other legislatures, in terms of value for money, taxpayers may feel they are doing well - perhaps until they consider that for the umpteenth week, the line-by-line debate on the Maastricht bill is dominating the Westminster agenda.

Wasting away in management

BRITAIN'S managers can look forward to at least one working day each week being an utter waste of time, writes Diane Summers.

To compensate for all the time-wasting, at least one in three managers will have to work more than 50 hours over the week - equivalent to a whole extra unpaid day on top of their contracted hours.

The findings, which come from an Industrial Society sur-

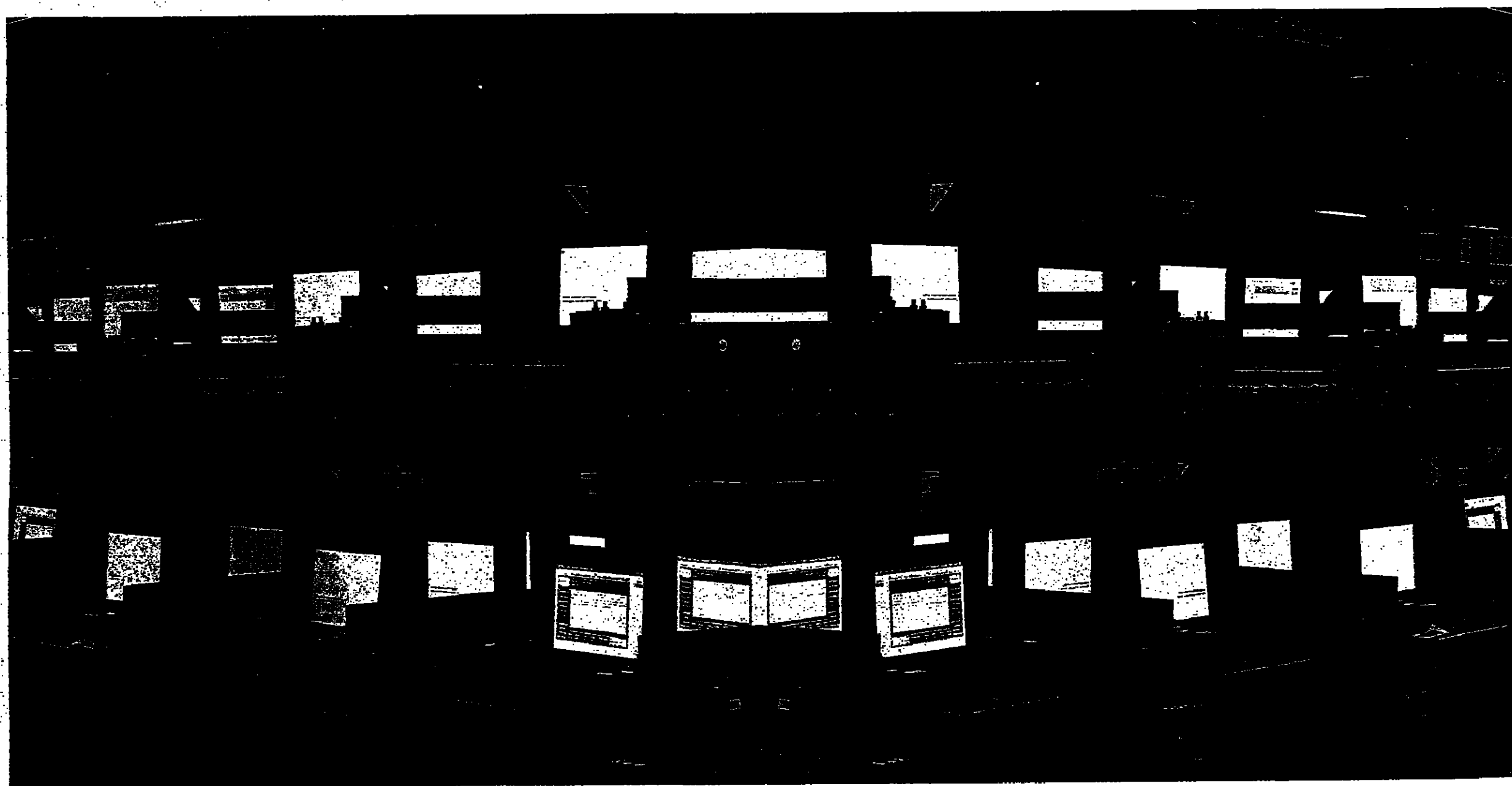
vey of managers at all levels, rank as the chief time-wasters: telephone interruptions, people dropping by and the failure of machines such as computers and photocopiers.

Two egalitarian trends - the open-plan office and the move away from personal secretaries - appear to be making matters worse. Open-plan offices lend themselves to interruptions, according to the Industrial Society. Managers

should dispense with inviting chairs next to their desks and ask themselves: "Do I have a reputation for being quite happy about being interrupted? Is this the reputation I want?"

More than half of managers have to share secretaries and a fifth do their own administration, the survey found. The result is that up to one-third of a manager's working week is spent on paperwork.

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NEWS: UK

UK tightens rules on 'dual-use' Iran exports

By Jimmy Burns and Gillian Telf

BRITAIN is tightening up its controls of defence related equipment and so-called 'dual-use' technology to Iran, Mr Douglas Hurd, foreign secretary announced yesterday.

Under new guidelines, the Department of Trade and Industry will not approve licences for items on international lists of banned military or atomic energy equipment.

Licences will also be refused to those attempting to export any equipment "where there was knowledge or reason to suspect that it would go to a military end-user or be used for military purposes."

There will be two exceptions to the new guidelines which were announced in a written answer to a parliamentary question at Westminster yesterday. The exceptions are goods judged essential for the safety of civil aircraft, and radioactive material for medical use.

The previous guidelines were announced in 1986 and applied to equipment which the government thought "significantly enhanced the capability" of Iran and Iraq following the outbreak of their territorial conflict.

In recent months Iranian groups have approached UK exporters for military parts to replace equipment lost or damaged over the last ten years, and some western officials have expressed fears of a renewed military build-up.

Last month UK customs officers interviewed a number of UK businessmen after seizing about 12,000 counterfeit engine parts for US-made Iranian jet fighters.

A Foreign Office official said that the death threat against the author Salman Rushdie remained a "factor in our bilateral relations", although the issue was not directly related to the announcement. Instead the new guidelines follow a year in which the UK government has faced criticism over the way departments allegedly got round the government's own guidelines on exports both to Iran and Iraq.

Central bank governor issues interest rate warning

By Peter Norman, Economics Editor

MR ROBIN Leigh-Pemberton, governor of the Bank of England, last night warned that Britain would raise interest rates if it felt that a falling pound imperilled its goal of low inflation.

Speaking in Bristol, Mr Leigh-Pemberton insisted the Bank was "in no way indifferent" to the behaviour of the exchange rate and stressed

that the UK had "most certainly not been seeking a competitive advantage" for its exports through sterling's depreciation.

Mr Leigh-Pemberton, who is to retire in June, said the "substantial fall" in sterling's value since its departure from the European exchange rate mechanism in September "was not a deliberate object of policy".

Although sterling rose strongly on currency markets yesterday, its value measured

on the Bank's trade weighted exchange rate index last night was 15.2 per cent lower than before leaving the ERM.

The governor warned that success in pursuit of the government's target of keeping underlying inflation within a 1 to 4 per cent band "could be impaired if the exchange rate were to fall too far".

Giving a warning of higher interest rates should sterling slide further, he said: "We will need to monitor very carefully

the impact of the exchange rate on inflation and to respond with tighter monetary policies if we believe the inflation target to be threatened".

As money markets throughout Europe yesterday began looking forward to an easing of German monetary policy, Mr Leigh-Pemberton made clear that Britain would not follow any cut in interest rates in continental Europe.

"In such circumstances there would be no question of the

UK seeking to hold the exchange rate down to maintain competitive advantage", he said. "Indeed, the appreciation of the [sterling] exchange rate which would result from easier policies elsewhere would greatly assist the achievement of the government's target for reducing inflation."

The governor's remarks came after provisional Bank figures for M0, the narrow measure of money supply, pointed to a continuing upturn

of British retail sales last month. The sharp seasonally-adjusted 4.8 per cent year-on-year increase of M0 in February was well above the government's 0 to 4 per cent range.

Although the annual growth rate has risen sharply from 4.1 per cent in January and exceeds the Treasury's target range, officials indicated it was unlikely to prompt tightening of the government's monetary policy.

Other indicators are showing

different trends. Growth of the broad money measure M4 - M0 plus bank and building society deposits - is currently below the floor of its 4-8 per cent monitoring range while inflation indices continue to point to significant disinflationary pressures in the economy.

Economists yesterday said recent reductions in base rates to 6 per cent meant that there was less incentive for people to hold their money in savings accounts.

Britain in brief



Names start legal action at Lloyd's

More than 2,000 Lloyd's Names are to issue writs against their agents today, kicking off one of the largest actions in English legal history, in terms of the number of plaintiffs and defendants.

A total of 2,145 Names - individuals whose assets support the Lloyd's market - are seeking to recover £396m in insurance losses. The Names were members of Gooda Walker syndicates 164, 290, 298 and 299, which specialised in "spiral" reinsurance, in which syndicates and London market companies reinsure each other's exposure to high level catastrophe loss.

Advised by Wilde Sapte, they are suing 67 members' agents, who placed them on the syndicates. Mr Michael Deeny, chairman of the Gooda Walker Action Group, which is organising the action, said the average loss of each Name is £184,877.

Hopes rise for Daf plant

A ray of hope has appeared for the 1,346 workers at the threatened Leyland Daf trucks plant in Lancashire, following the

conclusion of an agreement in principle for Leyland to resume truck supplies to Daf Trucks NV, the new Dutch truck company created on Friday.

The agreement was reached after a week of talks in Kindroven. As a result, and provided that a detailed agreement is reached, the Leyland plant could soon step up production substantially. Currently, it is making around 50 trucks a week to fulfil outstanding orders.

Scottish HQ for drug group

VEG International, a US drug research company, announced that it would locate its £2.25m European headquarters at Livingston, near Edinburgh.

The company intends to set up a management and data centre and clinics carrying out contract research. The first phase would involve a short stay clinic at St John's Hospital in Livingston, employing 58 people on drug test procedures. A management and data centre would employ a further 226 managing clinics elsewhere in Europe.

Fast pace for sell-off plan

The government has indicated that it wants to press ahead as quickly as possible with the privatisation of London's Docklands Light Railway.

It has given the management consultancy arm of Ernst & Young, the accountancy firm, just four weeks to draw up a list of options for putting the railway into private hands.

Ernst & Young's brief is to consult on as wide a basis as possible with those having interests or expertise in privately-owned transport systems, including potential investors, and to report by March 26.

Bank bonus plan attacked

Royal Bank of Scotland has been criticised by the Labour Party for introducing an incentive scheme which offers bonuses of up to £80 a quarter to employees who increase the number of account charges levied on customers.

Mr Nigel Griffiths, Labour's consumer spokesman, said the scheme was the last straw for many small businesses. He said it undermined banks' claims to treat customers sensitively, and on an individual basis.

The Royal Bank scheme, introduced on a trial basis from February to April, sets a target for each branch to raise its collection of ancillary charges such as those levied for returning "bounced" personal and business cheques.

Fears raised on unfair dismissal

Employers are increasingly sacking staff just before they qualify for protection against unfair dismissal, according to the National Association of Citizens Advice Bureaux.

The association pointed to "growing exploitation" of employees during the recession reflected in an increasing number of complaints to CABs on employment issues. Complaints of this type represent

the third largest category of enquiries dealt with by the service after consumer debt and social security.

Funeral of abducted boy

The funeral of two-year-old James Balger, who disappeared while shopping with his mother in Bootle, Merseyside and whose body was found 15 days ago on a railway line, took place in nearby Kirkby yesterday. Two 10-year-old boys have been accused of abducting and murdering James and attempting to abduct another two-year-old boy.

Ford cuts price margins

Ford has cut its dealers' official profit margin, usually between 16 per cent and 17 per cent, to 10 per cent on the new Mondeo family cars, which are due to go on sale on March 25. The move helps Ford to claim Mondeo's retail prices will be up to several hundred pounds lower than those of equivalent Sierra models which the Mondeo succeeds.

Bid to refloat oil tanker

Salvage experts were last night attempting to refloat the Freja Svea, a Danish-owned oil tanker grounded off Cleveland, as gale-force storms swept across north-east England. An RAF helicopter landed four salvagemen on deck yesterday in spite of 40ft waves.

Andrew Jack examines Sir Brian Unwin's record

Customs chief cuts away the excess baggage

SIR BRIAN Unwin has just four weeks to switch between two of the most significant public service jobs in the EC: from head of HM Customs and Excise during implementation of the single European market, to head of the European Investment Bank.

He seems fully prepared for the transition. "What I do now have is this extraordinary privilege," he says. "Having broken down the borders I now have a chance to go inside them and help make it all work."

Sir Brian, who was at Customs for four years, argues that his greatest challenge was removing the borders for traders in the single European market; and motivating his staff to embrace the reforms.

His team had to withdraw 1,600 staff from frontiers offices, replacing them with a system based on greater intelligence-gathering and targeting of smugglers.

"There is tremendous tradition and loyalty in Customs," he says. "That is a strength, but can also be a weakness. It made it more difficult to move staff away from the baggage benches and convince them they can still catch baddees without deploying everyone at the frontiers."

"For centuries they were

there with their cutlasses stopping things coming in."

One of his biggest battles was to persuade people in Customs that the removal of border controls would take place. "It posed a threat to people's jobs, and their way of working. There was a tendency four years' ago to just wish it away."

He told concerned staff: "It is extraordinarily difficult, but we have got to face up to it. Unless we plan now, we won't have any control and we will be faced with an imposed solution which will be less in your and the UK's interests."

In general, Unwin is pleased with the results on the single market initiative. "We have delivered what the government wanted by removing the borders without threatening our security."

He believes the UK played an important role in changing the shape of the single European market, blocking mandatory harmonisation of value added tax and keeping paperwork requirements to a minimum.

Sir Brian says Customs was used as a model for the government's executive agency reforms; now being mirrored by the Inland Revenue. But he sees an important continuing

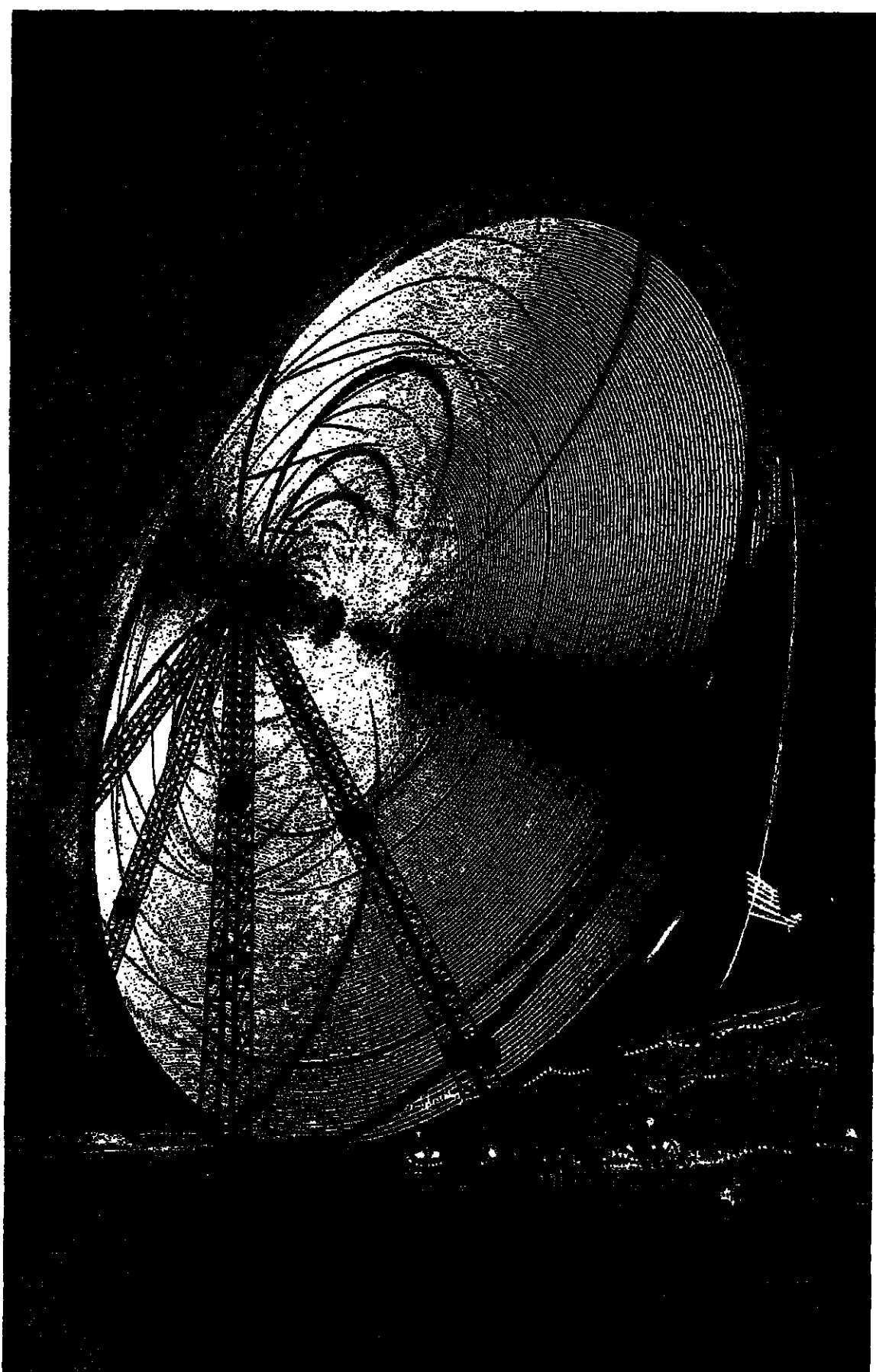


Sir Brian: "We delivered what the government wanted"

role for central control. He also believes he has made considerable progress in changing the way Customs operates. When he started, it was a very hierarchical organisation. He lays particular emphasis on promoting equal opportunities - especially the promotion of women, such as Ms Valerie Strachan, whom he appointed as his deputy and who takes over his post from today.

"After working in the Treasury and the Cabinet Office, Customs seemed very male dominated to me. It still is, but things are starting to change." Looking forward he says his main challenge at the EIB, the world's biggest international lender, will be to consolidate the institution and reflect the new impetus it received at the Edinburgh summit.

"We are under tremendous pressure to increase the volume of lending," he says. "But we must also maintain rigorous criteria to sustain quality."



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هكذا من القليل

Andrew Baxter takes a look at the latest innovations from white goods manufacturers

Tempted by green gadgetry

Inside one of Zanussi's new dishwashers is a multiple detergent dispenser - pour in the fluid and there's enough for a month before it needs refilling.

It is a simple idea, if less easy to put into practice, says Fulvio Caccio of Electrolux, which owns the newly relaunched Zanussi brand. Making the electrical parts humidity-proof was the main problem.

Zanussi and its rival white goods producers were displaying dozens of similar innovations at last month's Domotex '93 appliances show in Cologne.

The dominant theme of Domotex '93 was the environment - from the reduction and phasing out of CFCs in fridges to reducing water consumption of washing machines and dishwashers. But functional innovation was an important accompaniment and the technological challenge for the white goods industry is twofold: to produce worthwhile new features and better environmental performance.

A combination of both might just tempt consumers to trade in their old machines before the end of their useful lives - crucial in mature western markets. The Zanussi dishwasher, for example, has an alternate top and bottom spray system to save water.

One way to tempt customers is to act on a good idea before the opposition. But intelligent use of electronics is also vital for innovation and enhancing environmental performance without confusing the customer. However, this is where problems can arise.

According to a 1991 report by market research company Frost & Sullivan on Europe's white goods industry, 2 per cent of all semiconductor units are used in domestic appliances, and this share is rising.

"Microchips have made possible far more sophisticated switching, control and timing devices," says the report.

"However, many suspect these new bells and whistles, knobs and knockers are only a manifestation of unnecessary gadgetry... many doubt whether the typical consumer really wants such frills and actually uses them."

A few, at least, of the most recent functional innovations are not

driven by electronics. Electrolux, for example, has introduced a new, low-frost system for chest freezers which cuts out 80 per cent of ice build-up.

Freezers warm up and cool down as the compressor switches off and on, but here the dry air normally expelled in the warm-up phase is held in a flexible cavity connected to the inside by a small pipe. When the freezer cools down, dry air is recycled into the freezer rather than humid air which deposits its moisture as ice on the freezer walls.

Another simple idea was launched by Whirlpool for its dishwashers - a "long door" which is counterbalanced to stay open in any position.

Most innovations, however, depend substantially on electronics. One of the big issues at Domotex '93 was the extent to which western producers would introduce products

with "fuzzy logic" - where a central microchip receives signals from several sensors in the machine and then sends out fresh instructions accordingly.

The answer is that western producers are taking a much more selective approach to fuzzy logic than their Japanese counterparts, which market the concept heavily.

"In fridges and laundry products, I see us moving towards fuzzy logic in this decade," says Ronald Karber, Whirlpool's chief technology officer. "Not because there is any desire by consumers to have it, but because of its role in controlling the performance of the machine."

AEG launched a washing machine with fuzzy logic that is due to go on sale in Germany later this spring. The big German producer also envisions about the "massive potential" of fuzzy logic for appliance efficiency. The sensor system



Inside out: tomorrow's washing machines depend on electronic innovations

means, for example, that the machine can ensure exactly the right amount of water is used, making the half-load button redundant.

Whirlpool, meanwhile, launched its first fuzzy-logic product, a new "Sixth Sense" microwave for its top-selling VIP range. This eliminates the guesswork from two common

but boring tasks - reheating or defrosting food.

The user presses a single button to reheat or defrost and the oven works out the type and weight of the food, then calculates the correct time and power output. The cooking is left to be done manually.

The approach to "interactive" or intelligent cooking is also cautious, although some manufacturers believe the effort is worthwhile for top-range machines. Fagor, the biggest Spanish producer, unveiled its Todo Plus oven which combines traditional heat, circular heat and microwaves and links them to a small screen in the control panel. This can show how to prepare more than 125 recipes, work out quantities and choose the best cooking sequence.

AEG unveiled another important new feature, so-called Bio phase programming for dishwashers and washing machines. This is geared to the latest ultra-compact detergents for both types of machines, which include enzymes that work best at low temperatures.

In AEG's new washing machine, the water is held at 40°C for 20 minutes to allow the enzymes to work effectively, before it is heated to the set temperature for the rest of the wash.

As for genuinely new products, one to watch - especially for microwave producers - was the Jet-Stream Oven from Minnesota-based American Harvest. This uses cyclonic cooking, a patented technology that heats air to 204°C and moves it around the food at 2,200 feet per minute. The result, says the producer, is oven-quality food at microwave speeds.

AB

Searching for the perfect rice cooker

By Michiyo Nakamoto

The recession in Japan may have dampened consumers' appetite for electronic goods, but a quick glance in any electrical retail shop in Tokyo shows it certainly has not killed their taste for high technology.

The decline in consumer spending in Japan has led manufacturers to review their product strategies and adjust their marketing and distribution plans to the new environment. Product ranges and cycles have been reduced. Some retailers report that certain manufacturers have clamped down on discounts and rebates for poorly selling products.

However, one thing that has not been affected is the rising level of sophisticated technology that manufacturers feel compelled to incorporate in their products.

Take rice cookers, for example. There is no denying that the Japanese take their rice seriously. But when facing a row of rice cookers, each proudly proclaiming the use of microcomputers, induction heating or fuzzy logic, it is difficult not to feel that things have gone a bit too far.

The key to cooking good rice is a strong initial burst of heat. Conventional rice cookers, in which a coil at the bottom of the rice cooker heats the inner pot, do not provide sufficiently strong heat.

But a new range of rice cookers has appeared on the market using a method known as induction heating. Friction between a magnetic coil at the bottom of the cooker and the pot that contains the rice creates the heat which is transferred through the pot. The heat is stronger than in conventional cookers and spreads around the pot to cook the rice evenly.

Induction heating is a method long used in industrial furnaces. With the use of more semiconductors, rice cookers can also obey instructions to cook the rice normally, or slightly drier or wetter than normal. Because the new rice cookers do not just turn on and off, but can make subtle adjustments depending on the circumstances, they are described as being "neuro-fuzzy".

From toasters to washing machines, manufacturers are testing the computer programming skills of housewives with the use of microcomputers and liquid crystal display panels that show any number of programmes which need to be set up to get the machines to work. Manufacturers claim Japanese consumers are becoming increasingly sophisticated and they are only trying to meet the demands of consumers for better-performing household appliances. But it is more likely that the excess of high technology in recent electronic products stems above all from manufacturers' demand to stimulate consumer demand and their desire to earn a higher profit from new products.

They are also clearly desperate to offer an incentive for domestic consumers to replace their old equipment. According to the Economic Planning Agency, the penetration rate of washing machines in Japanese households is 99.4 per cent, while that of refrigerators is 88.9 per cent.

In a country where penetration of electrical goods is as high as it is, it is not surprising that stimulating extra demand will take more than a few extra buttons. However, added features also provide a convenient excuse to raise prices. The latest rice cookers, for example, are about twice as expensive as conventional ones.

As the difficulty consumers experience in programming video tape recorders has shown, too much high technology runs the risk of turning away potential buyers. Some manufacturers now recognise the need for easier-to-use electronic equipment and have started to introduce much simplified products such as VCRs.

Whether or not Japanese consumers are happy with all the high technology in their homes, it will be some time before they start to express their exasperation. Meanwhile manufacturers possess a powerful trump card. Since the production of old models is usually discontinued after some time, Japanese consumers are left with little chance to vote with their purses by keeping them closed.

Steamed up over irons



After the reunification of Germany, eastern households very quickly switched from their heavy, sometimes unsafe irons to new, lighter western versions with more features.

Further south, Italian housewives might find themselves ironing 10 shirts a day. Anything that makes the chore easier, quicker and produces a better result will lighten their load.

Sales of irons in Europe are rising in real terms even though volumes are flat or down slightly, a sure sign of a market demand for more sophisticated products.

But, as often happens in the appliance industry, the approach to innovation falls somewhere

between that of Japan and the US. Japanese iron manufacturers are using electronics to give users information considered of doubtful benefit in Europe - such as soleplate temperature. In the US, by contrast, the market is driven by price - what European producers scathingly call the "\$9.99 syndrome".

European irons are using electronics more as a means than as an end - to control product functions and improve safety. But national markets still vary. Italy is the most innovative, says Leon Ramselaar, ironing product manager at Philips. In the UK, says Ian Mackay, Tefal UK's marketing manager, consumers do not want too many buttons to press - believing there could be more to go wrong.

Tefal, its sister company Rowenta, and Philips dominate the European iron market. When it comes to innovation, it is a "tip and tuck affair". Occasionally, a company will come up with a feature that is enough in itself to persuade consumers to buy, such as Tefal's replaceable anti-scale cassette introduced in 1990.

Scale build-up can leave stains on clothes and the Tefal cassette system converts the calcium carbonate that causes scale to sodium carbonate as the water passes through it. Philips has now responded with a permanent anti-scale system.

Other ideas might contribute to a purchase decision. Philips has just introduced a drip-stop system for steam ironing on its top-of-the-range irons. The idea, says Ramselaar, is to prevent the incomplete evaporation of water which can cause drops to slip through and stain silks.

One important development is the "ironing system". Borrowed from commercial ironing, this links the iron by tube to a steam-producing unit which acts like a pressure cooker. The result is a lighter iron and more steam.

Producers are cagey about future plans, but Tefal and Philips are working on "quantum leaps" in technology. One possibility is to use ceramic hob technology to produce a new type of soleplate, ending the need for an element.

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MANAGEMENT: THE GROWING BUSINESS

Charles Batchelor asks whether trade missions are of any value to smaller companies

The merchants' adventure



Nigel Bateman: 'Spending a lot of time on your own can sap your enthusiasm. The companionship of a mission is a big plus'

John Major's recent return from Saudi Arabia with an order from King Fahd for 48 Tornados in his briefcase focused attention on that cornerstone of exporting: the trade mission. The prime minister was so inspired by the experience that he enthused on his return about Britain's need for "merchant ventures, not merchants of gloom".

But are trade missions of any relevance to the smaller business or are the merchant ventures only to be found in larger companies? The deals which are trumpeted are usually multi-million pound construction, engineering or defence projects.

Nigel Grainger, founder of Offspring International, a two-year-old, Droitwich-based export agency supplying products and services for the offshore, petrochemical and power-generation industries, is proof that the small business can make use of trade missions.

Grainger, who has one other full-time employee, one part-timer and a projected turnover this year of £300,000-£350,000, spent eight days in Yemen in December with a mission arranged by the London Chamber of Commerce. He says he made useful initial contacts though he did not expect people to place orders.

The Yemen trip was not without incident. Rioting prompted by the rising cost of living prevented a lunch appointment in Sana'a with a visiting British minister, says Tracey Dorrell, manager of the mission. A cancelled airline flight led to a six and a half-hour drive through the mountains from Aden in taxis which would probably not have passed a conventional test of roadworthiness.

It is difficulties like these which prove the value of trade missions, says John Dorrell, head of international services at the London chamber. "Missions to countries which involve some discomfort or uncertainty tend to be oversubscribed," he says. "People want the support of the group and the backing of the local embassy. If there are unlikely to be problems, who needs a trade mission? There are none to European Community countries."

Missions are normally organised by either a chamber of commerce or a trade association and typically consist of between 10 and 30 members. The Department of Trade and Industry subsidises most missions but recently modified its policy to make the programme more cost-effective. It raised travel grants by between 5 and 25 per cent but placed a limit on the number of missions a business could join. There is an overall limit of 10 with a maximum of three to any single country except Japan, where the maximum is five.

The past three years have seen a

fall in the number of DTI-funded missions but an increase in the number of businessmen and women travelling. In 1990-91 1,725 participants went out on 133 missions. By 1992-93 there were just 123 missions but 2,350 participants, the DTI calculates. To encourage small and medium-sized companies to join missions it normally requires 60 per cent of participants to be from businesses employing fewer than 500 people.

Although the organisers usually like to have a mix of participants from both large and small companies there are particular benefits for the smaller firm:

- The chore of booking flights, hotels and making local travel arrangements is removed.
- Advice on local market conditions and the practicalities of doing business is available from both the organisers and more experienced exporters. A briefing meeting is usually held before the mission leaves and on arrival in the foreign destination. The local embassy or high commission will produce lists of contacts though it normally makes a charge.

● A programme of receptions and visits is arranged. Participants are not obliged to take part in these events but they can provide valuable introductions. "Don't just treat the mission as the chance of a cheap trip," says Tracey Dorrell.

Companionship. "There is no substitute for travelling with other people," says Nigel Bateman, sales manager of Euro-Tech (Export), a

'Investigate the market on your first trip. And don't expect to come away with armloads of orders'

Croydon-based exporter of electronic components with 15 employees and sales of between £2m-£3m. Bateman compares a recent visit to Saudi Arabia on a London chamber mission with an earlier three-week visit to the Gulf states. "Spending a lot of time on your own can sap your enthusiasm and means you are less effective. The companionship of a mission is a big plus."

● Support when things go wrong. The organisers or the local embassy can help with problems with visas or changes in travel arrangements. Women face particular difficulties in many countries in the Middle East. The three women on the Saudi mission were initially told they needed police approval to stay at one hotel, though this demand was subsequently dropped.

● Cost. Government subsidies do reduce the cost though some organisers think the sums involved are not significant enough to affect a decision to participate. The London chamber charged participants in its 10-day Saudi mission £1,288 with a £350 rebate from the DTI payable on return. The chamber advises participants to allow a further £50 a day for taxis, meals and incidentals.

But the prospect of a cheap trip should not be a significant factor, advises John Dorrell. Most important is whether the company's products or services are likely to find a market in the country being visited. Once this has been established the would-be exporter needs to check that he can repatriate the proceeds of any sales. Will he be able to

obtain insurance cover on the commercial and political risks of that particular destination?

The exporter also has to be prepared for the extra business which may be generated by the trip. Janet Crawford, managing director of London-based Angel International Recruitment, calculates she won £120,000 worth of business from her trip to Saudi Arabia. She says she was surprised by the volume of business she obtained and estimates it will take a year to turn the "orders" (for trained personnel) into cash.

Participants should not necessarily expect to sign up firm orders on their first visit. Making contacts and establishing confidence is a slow process and regular visits will probably be necessary. "Investigate the market on your first trip," advises Bateman. "Don't expect to come away with armloads of inquiries or orders. And don't be rushed into signing up exclusive agency deals."

A mission also requires careful preparation. Places must normally be booked three months in advance to be eligible for DTI subsidies and participants are advised to think about the trip well ahead of time. "Some people don't do their homework beforehand," says Peter Vapay, director of the British Knitting & Clothing Export Council, which has five missions planned.

"Prepare good promotional material in advance and send it to the embassy for distribution ahead of your visit," he says.

A drawback of a trade mission is that it does require participants to keep to the general timetable. The London chamber's 10-day mission to Saudi Arabia involved three-day stops in Jeddah and Riyadh followed by a day of rest and then three days in the Eastern Province. Some participants may find they can generate most business in one location but have little to do in the others.

This problem can be overcome by extending the visit, an option which is permitted by the DTI rules. Jean Morgan-Bryant of Sobvia, an equipment supplier to the oil and construction industries, extended her Saudi visit by three days before flying on to another destination. Nigel Grainger says he makes his first trip to a country with a mission but makes subsequent visits on his own so he can set his own itinerary.

Missions organised by trade associations are normally only open to members. Chamber of commerce missions are usually open to members and non-members and to businesses outside the geographical area covered by the chamber. Contact trade associations, chambers or the DTI's Overseas Missions section Tel: 071 276 3414. Fax: 071 222 4707.



Checking out your bank account

Ninety five per cent of business bank accounts contain errors, according to a survey of 152 accounts carried out by Bankcheck, a specialist consultancy.

It found that in 75 cases banks had overcharged their customers while in 70 they had undercharged. Only seven accounts were correct. The average amount overcharged was £1,412 a year while the undercharging amounted to £356. Bankcheck ascribed the high error rate to poor administrative systems.

Acquiring the book-keeping habit

Barclays Bank is offering a choice of three free book-keeping products to new business customers to get them into the habit of maintaining up-to-date financial records. Cashflow management difficulties are one of the most frequent problems businesses face, the bank said.

National Westminster Bank, meanwhile, is to start advising customers in advance of account charges from Friday, March 5. NatWest is the first of four large clearing banks to take this step.

Factoring volumes stagnate

Worldwide factoring volumes stagnated in 1992, according to Factors Chain International, an international network of factoring companies. The turnover of companies making use of factoring was \$264bn (£174.4bn), against \$266bn for 1991.

Factoring activity declined in Europe from \$165bn to \$151bn but increased in the Americas from \$73bn to \$79bn and in Asia from \$29bn to \$32bn. The Association of British Factors and Discounters, representing the large UK factors, said last month that business in the UK

increased 13 per cent to £16bn in 1992.

A chance to influence BSI policy

The British Standards Institution has set up a policy committee for small businesses following complaints from some small firms that its BS5750 quality management standard was too onerous. The committee is to look at this and other aspects of BSI's activities where a small firm's view is needed.

Chairman of the committee is Roger Dunn, founder and managing director of Arconrol, a manufacturer of electrical switchgear employing 70 people. The committee's first chance to influence BSI policy will come at a BSI board meeting in May.

Creating a network for investors

Private individuals invest many times more in small businesses than the formal venture capital sector in the UK. But efforts to create a similar investors network in the UK have had only very limited success. A new attempt to form such a network has come in the shape of The Capital Exchange, a members-only organisation which publishes CX Monthly, a newsletter to help investors find businesses seeking joint venture partners. The organisers, a group of Hereford businessmen headed by Nigel Lacey, a former bank manager, plan to launch a scheme for syndicating private equity investments later this year.

Contact The Capital Exchange, Wyvern Centre, Bards Road, Hereford HR1 1EG. Annual membership £80.

Cross-border barriers surveyed

The barriers to cross-border venture capital investments is the subject of a two-month survey initiated by the European Commission. The survey, by accountants KPMG Peat Marwick, will identify the type of information where difficult access may be an obstacle to cross-border syndications. Cross-border deals have not taken off as many venture capitalists expected and the EC is keen to increase activity following the creation of the single market.

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Hospitality Inn	Pensacola, FL	81	Summit Hotel	Dallas, TX	376
Landmark Hotel & Casino	Las Vegas, NV	Site	Carlton Place Hotel	Toronto, Ontario	528
Hampton Inn	Valencia, CA	139	French Quarter Suites	Atlanta, GA	155
Lake Arrowhead Hilton Resort	Lake Arrowhead, CA	261	Travelodge Viscount	LAX Airport, CA	567
Los Angeles Airport (Marubon) Hotel	LAX Airport, CA	178	Travelodge Hotel	Miami Airport, FL	264
Holiday Inn	San Francisco, CA	389	Travelodge Hotel	Atlanta, GA	180
Doubletree Club	San Diego, CA	210	Travelodge Viscount	Denver, CO	209
Radisson Hotel	San Bernardino, CA	238	Travelodge Viscount	Mt. Laurel, NJ	235
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For further information please contact J M Ince FCA, Joint Administrative Receiver at Coopers & Lybrand, 9 Greyfriars Road, Reading, Berkshire RG1 1JG. Tel: 0734 597111. Fax: 0734 607703.

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GREEK EXPORTS S.A. ANNOUNCEMENT OF A REPEAT PUBLIC AUCTION FOR THE HIGHEST BID

GREEK EXPORTS S.A., established in Athens (17 Panepistimios street) and legally represented in its capacity as Liquidator, of the under named MARITIME IRONWORKS - NAFSI, established in Piraeus, and in accordance with article 404 of Law 1891/1990, supplemented by article 14 of Law 2000/1991 and after decision No. 1204/1992 of the Piraeus Court of Appeal, and with the written statement (incoming ref no. 162/12.2.93 and 174/18.2.93) of the creditor of paragraph 1 of the above article.

A repeat public auction for the highest bid with sealed bidding offers for the purchase, in toto, of the assets of the under named MARITIME IRONWORKS (NAFSI) S.A. which is under special liquidation and based in Piraeus at Salaminion and 24 Methonis Street.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY UNDER LIQUIDATION NAFSI operates on rented premises owned by the Piraeus Port Authority. It is engaged in the building, repair, conversion, upgrading and breaking of ships and other craft, as well as all types of machine-shop work. The Company under liquidation owns one building consisting of a ground and first floor and covering the entire plot of 1,195sqm, at Salaminion and 24 Methonis Street in Piraeus. The building houses the company's head office and the greater part of the ground floor is used for the manufacture of ship's propellers.

TERMS OF THE AUCTION

- In order to take part in the auction, interested parties are invited to receive the assets of the Liquidator, the Offering Memorandum which describes in more detail the assets of the Company for sale, its obligations and the necessary procedures for its transfer, as well as the form of the Letter of Guarantee needed for the submission of a binding offer to the Athens notary public assigned to the auction, Mr. Andreas-Dimitris Zafiroopoulos-Economopoulos at 18 Voulas Street, 5th floor, Tel. 30-1-52.94.395 up to Monday 28th March 1993 at 19.00 hours. Bids must be submitted in person or by a legally appointed representative.
- The bids will be unsealed before the above notary on Tuesday 30th March 1993 at 11.00 hours with the Liquidator in attendance. All those who have submitted bids within the prescribed time limits can also attend. Bids submitted beyond the prescribed time limits will not be accepted or considered.
- The sealed, bidding offers must clearly state the price offered for the purchase, in toto, of the Company's assets and must be accompanied by a Letter of Guarantee from a bank, legally operating in Greece, for the amount of fifty million drachmas (50,000,000 dr.) or its equivalent in U.S. dollars.
- The Company's assets and all fixed and circulating constituent parts thereof, such as immovable and movable property, claims, trademarks, ideas, rights, etc. are to be sold and transferred "as is, where is" and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the company under liquidation is operating or not.
- The Liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1892/90 article 404, para. 1 as in force), known hereafter as the Majority Creditors, shall bear no liability for any legal or actual defects or for any deficiency in the effects and rights for sale for the possible refusal of the State to approve, as required, the transfer of elements of the assets, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence. In event of inaccuracies, entries in the Company's books, as they stand on the date of signature of the sale contract, shall prevail.
- Prospective buyers, hereinafter referred to as "Buyers", shall be obliged, on their own responsibility and at their own expense, to inspect the assets of the Company, to inspect the object of the sale and from their own judgment and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/90, article 404, para. 4 as in force, having agreed in writing to maintain confidentiality, they are entitled to have access, to any information they may require concerning the Company for sale.
- Bids should not contain terms which might prejudice their biddings or any vagueness concerning the offered price and its method of payment, or any other matter of importance to the sale. The Liquidator and the Majority Creditors have the right, at their incontestable discretion, to reject offers which contain terms and conditions, irrespective of whether these offers contain a higher price than that of other bidders. Such unacceptable terms would be, for example, requests for the repair, improvement or transfer of fixed assets, or requests for guarantees in the collection of claims in this respect, or compliance with recommendations regarding the security of the installations, or for safeguarding the insurance cover, etc.
- In the event that the person to whom the auction is adjudicated, fails in his obligation to appear within twenty (20) days from being invited to do so, and sign the relative sale contract and fails to abide by the other obligations arising from the present announcement, then the above-mentioned guarantee of fifty million drachmas (50,000,000 dr.) is forfeited to the Liquidator in compensation for expenses of any kind, time spent, and any actual or hypothetical loss sustained, with no obligation on the Liquidator's part to furnish any specific proof or deem that the amount has been forfeited to him as penalty clause and collect it from the guarantor bank.
- Guarantees deposited by other bidders shall be returned to them after the Liquidator's evaluation report has been approved by the Majority Creditors and the highest bidder's guarantee shall be returned to him after he has paid the sale price and the act of settlement has been drawn up and signed.
- The highest bidder is deemed the one whose offer has been accepted by the Liquidator and approved by the Majority Creditors as being in their best interests.
- The Liquidator shall not be liable to participants in the auction either with respect to the evaluation report or for his selection of the highest bidder and neither will he be liable to them for the cancellation of the auction in the event that its outcome is not approved by the Majority Creditors.
- Participants in the auction do not acquire any right, claim or demand from the present announcement or from their participation in the auction, against the Liquidator, for any cause or reason.
- Transfer expenses of the assets for sale (taxes, stamp duty, notarial and mortgage fees, rights and other expenses for drawing up topographical diagrams as required by Law 651/77, etc.) are to be borne by the Buyer.
- Those taking part in the auction will be committed to keep the enterprise operating in its present form.

Interested parties should apply for further information to:

- The head office of E.T.B.A. S.A., Directorate of Public Holding, 87 Syngrou Avenue (2nd floor), Athens. Tel. 30-1-52.94.395 and 30-1-52.94.396
- GREEK EXPORTS S.A., 17 Panepistimios Street (1st floor), Athens. Tel. 30-1-52.43.111 to 115

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FINANCIAL TIMES
SCHOOL SURVEY 1993

LEGAL BRIEFS



Former head of merger task force joins Allen & Overy

MR COLIN Overbury, the outgoing director of the European Commission's merger task force, has joined the international London-based law firm Allen & Overy as a consultant on competition issues.

Mr Overbury, who qualified as a solicitor in 1955, joined the European Commission in 1973 and was put in charge of competition in mechanical, electrical and electronic industries in 1984. From 1986 to 1990 he was in charge of competition for financial services, media, telecommunications, information technology and all manufactured products including motor vehicles.

In 1990, Sir Leon Brittan, then competition commissioner, asked Mr Overbury to set up and head the merger task force. He is widely credited with its success in making important decisions within the tight deadlines of the EC Merger Regulation.

Software ruling

IN A test case for the copyright of computer software, the English High Court has ruled that a plaintiff can establish an infringement without showing that his software code has been literally copied.

The case is of great significance to software developers and owners. Previously, the law had been unclear in cases where "the look and feel" of one program duplicated another, according to solicitors Dibb Lupton Broomhead, who acted for John Richardson Computers, the successful plaintiff.

The court said that non-literal aspects of a computer program could infringe copyright. The plaintiff did not have to show copying of a substantial part of the structure and organisation of the program even where the program source code had not been copied.

A good life at the top of the charts

Robert Rice unveils the results of an FT poll of legal firms

Clifford Chance, the UK's largest law practice, has emerged as the leading UK commercial law firm in the 1992 FT law firm poll of polls. The group's move to the top of the table, ahead of Linklaters & Paines and Slaughter and May, both of which were ahead of it in 1991, suggests it is now reaping the rewards of the ambitious 1987 merger between Clifford Chance and Coward Chance which led to its formation.

The overall strength and depth of the firm's base is reflected in its high ratings across the complete range of performance indicators used in the FT poll. Profitability remains the only area where it lags behind its main competitors, its weak showing in Legal Business magazine's table of the most profitable law firms being largely due to extraordinary costs associated with a move to new City premises.

Although perhaps not yet enjoying the reputation of Linklaters and Slaughter and May, it appears to be "benefiting from a more competitive pricing policy" than some of its rivals, according to one City observer.

Linklaters, ranked second, also had an exceptionally good year being involved in most of the big transactional deals during 1992 and continuing to benefit from the strength of its international capital markets work. The firm would have

finished as a clear leader but for its lack of involvement in the main management buy-outs of 1992.

The 1992 poll also confirms the existence of a "super group" first identified in 1991. These top five firms continued to move ahead in 1992 in spite of the depth of the recession largely through the strength of their international practices and their domestic, corporate and financial client base, which allowed them to tighten their grip on high quality, high value work.

Mr James Wyness, joint senior partner of Linklaters, says 1992 was a year in which to be grateful for a strong corporate and financial client base, a view echoed by Mr Giles Henderson the new senior partner of Slaughter and May.

In terms of the domestic market for legal services, 1992 was very tough and increasingly competitive. For the big firms this meant concentrating more on tailoring their services to client needs and learning to be flexible on fees.

Companies began to recognise in increasing numbers that the recession had changed the marketplace and that they could now exert a much greater influence on the legal services they purchased and on what those services cost.

In spite of the recognition by most law firms of the need to be flexible over fees in these market conditions, the top UK commercial

practices were caught off balance in the autumn by a league table published by the International Financial Law Review which suggested that the average hourly rate for legal advice from a partner in a leading City of London law firm had risen by 20 per cent in the last 12 months.

IFLR labelled UK commercial law firms the most expensive in the world, charging \$235 an hour more than their US counterparts. If, in practice, they had demonstrated the need to be flexible on fees, they had failed to get that message across to the public. Some firms had even found themselves attacked for apparent inflexibility.

In spite of difficult market conditions, the top 10 firms all appear to have enjoyed a relatively successful year. Figures published last September by Legal Business for the 1991/92 financial year showed revenues holding up very well in the early part of the year.

The top six firms all had turnovers roughly equivalent to £1m per partner. Clifford Chance the UK's largest law firm had a turnover of £244m, comparing well with American firms of similar size such as Skadden Arps (£280m), Baker & McKenzie (£273m) and Jones Day (£232m). Linklaters (£154m), Freshfields (£135m), Lovell White Durrant

LAW FIRM POLL OF POLLS									
Firm	Legal 500	Crawford's City Directory: most stock market clients	Legal Business: most profitable firms	International practice (by size)	Acquisitions: most M&A	KPMG: leading MBO advisers	IFLR: Eurobonds	KPMG: new issues	Total (max 100)
1 Clifford Chance	19	18	11	19	17	20	17	18	139
2 Linklaters & Paines	18	16	16	17	14	0	20	20	131
3 Slaughter and May	16	18	20	15	14	9	18	16	129
4 Allen & Overy	15	12	18	11	9	17	19	18	119
5 Freshfields	17	14	16	16	20	0	14	10	117
6 Lovell White Durrant	20	11	17	16	0	19	0	5	88
7 Ashurst Morris Crisp	7	16	15	0	13	17	0	19	87
8 Simmons & Simmons	13	10	13	13	11	0	9	11	80
Equal 9 - Norton Rose	12	15	7	3	19	6	0	14	78
Equal 9 - Herbert Smith	14	17	12	12	15	8	0	0	78

Firms score 20 points for a first place and 0 where there are 20 firms ranked above them in a league table. The FT's table of the top 10 law firms is based on a poll of polls - from a number of publicly available lists and rankings. The polls used in 1992 vary slightly from those used in 1991 to take account of newly published information, in particular the Legal Business table of the most profitable law firms. The 1992 table also attempts to reflect the increasing importance of international work by ranking firms by the size of their international practice.

(£120m), Slaughter and May (£113m) and Allen & Overy (£112m) also compare favourably with their US counterparts.

All of them say that since April they have managed to maintain revenues and that, if anything, business has picked up. The 1992-93 figures are likely to show continued growth for these six.

The explanation for this success can be found partly in the counter-cyclical nature of some sectors of the legal services market and partly in the strength of the firms' international practices.

Mr John Pritchard, editor-in-chief of Legal Business magazine, says that all the leading firms have benefited from the huge increase in corporate restructuring and refinancing that has accompanied the recession. But two firms in particular, Allen & Overy and Lovell White Durrant, have shone out, he says.

Mr Bill Tudor John, managing partner of Allen & Overy says his firm has had a particularly good year because of the strength of its banking and insolvency practice.

Allen & Overy had a hand in most of the big insolvencies and debt reschedulings in 1992, acting for the

administrators of the Maxwell private companies and Canary Wharf and for WPP, Guinness Peat Aviation, Heron Corporation and News International in their reschedulings.

On the international front, Linklaters, Allen & Overy, Slaughter and May, Clifford Chance and Freshfields have all benefited from their domination of international capital markets and structured finance work.

The IFLR Eurobonds league table used in the poll of polls is supported by a recent survey, by Euromoney, of senior executives in the Euro-bond syndicated loan and derivatives departments of leading financial institutions. That showed that international capital markets are dominated by Clifford Chance and Linklaters with Allen & Overy and Slaughter and May vying for third place.

With some 40 per cent of its work now having an international element, it is not surprising that Linklaters and other such firms have found it easier than most to ride the UK recession, Mr Wyness says.

To add insult to injury for those firms fighting for a share of the domestic markets, what little high

quality transactional work there was in 1992 also appears to have gravitated to the top firms.

Freshfields, arguably the leading corporate finance law firm, Linklaters and Clifford Chance were all involved in either the £3.7bn Hongkong and Shanghai/Midland Bank deal or the merger between Reed International and Dutch publisher Elsevier. Linklaters and Slaughter and May were involved in the public sale of Wellcome shares and Linklaters worked all last year on the ICI demerger.

This domination is likely to continue in 1993. Linklaters, for example, has been appointed by the government on both the British Rail privatisation and on the sale of the third tranche of British Telecom.

The picture for those outside the top 10 is not so encouraging. While the UK economy remains in recession, all law firms are likely to suffer to an extent. But it is outside the top 10 that structural problems, born of the boom in legal business during the late 1980s when many law firms grew much too rapidly in size to meet the huge demand for legal services, are likely to make themselves felt in 1993.



EUROPEAN COURT

The European Commission has published new guidelines on co-operation with national courts in EC competition cases, designed to encourage the use of national courts in the application and enforcement of EC competition rules.

Publication of the guidelines in a Commission Notice has been hastened by three recent developments: the post-Maastricht philosophy of subsidiarity; the European Court's judgment in the *Delimitis* case setting out the procedures which national courts may follow in EC competition cases; and the recent Court of First Instance judgment in the *Automec* case. The Commission

When to use the national courts

relied on that case to justify exercising a discretion as to which competition complaints it should give priority.

Since 1974, the ECJ has recognised that companies and individuals have the right to enforce the EC competition rules in national courts. A line of cases has established the general right to an effective remedy for infringements of Community law.

The Commission Notice rather timidly says that this means that all procedural rights and remedies such as damages, injunctions and interim measures provided by national law should be available to litigants on the same conditions as

would apply if a comparable breach of national law were involved. The Commission does not deal with the situation where there is no effective remedy for a comparable breach.

National courts, however, have been reluctant to exercise their jurisdiction for a number of reasons, such as the Commission's exclusive competence to grant exemptions for agreements and business conduct which would otherwise be prohibited as anti-competitive, the often complex economic questions involved, and the absence of specific procedural rules. The Notice sets out to provide sufficient reassurance to overcome this reluctance.

When applying EC competition law, national courts should be guided by formal Commission exemption decisions, as well as any other official statements such as comfort letters, the case law of the ECJ, other Commission decisions, general notices and the block exemption regulations.

In difficult cases the national court is encouraged to stay proceedings to await the outcome of any Commission procedure relating to the same conduct, or seek the Commission's views on certain issues, or refer the matter to the ECJ for a preliminary ruling.

It is envisaged that national courts may, within the limits of

national procedural law, request the Commission to provide:

- information of a procedural nature;
- consultation on points of law, including an interim opinion on eligibility for individual exemption;
- and factual data to be used as evidence by the parties subject to availability and the principle of confidentiality.

Replies from the Commission on these points will neither bind the courts nor affect their right to refer questions to the ECJ. The right to request economic market data from the Commission is one of the most obvious benefits of the Notice. Although bringing an action

before a national court may be more expensive than filing a complaint with the Commission, the Commission identifies some of the advantages of court action:

- damages are available;
- injunctions may be available and interim measures may be more readily adopted;
- claims under national and Community law can be combined;
- and legal costs may be awarded.

In spite of such potential benefits, however, the policy of encouraging co-operation raises almost as many potential problems as it seeks to solve. Effective decentralisation may demand a more radical approach along the lines of harmonisation.

BRICK COURT CHAMBERS, BRUSSELS

PEOPLE

St Thomas' Matthews defeats Guy's Griffiths

A battle between two of Britain's most prominent hospital managers to run the biggest National Health Service trust in London ended in victory yesterday for Tim Matthews, chief executive of St Thomas' hospital.

St Thomas' and Guy's hospital trusts are due to amalgamate into a single trust next month. The eventual aim, based on recommendations of the Tomlinson report into London healthcare, is to combine the hospitals on one site.

Matthews (left) defeated Peter Griffiths (right), chief executive of Guy's, for the new job. The decision is a severe blow for Griffiths, who gave up the high-flying post of deputy chief executive of the NHS management executive in Whitehall to run Guy's when it became a trust in 1991. It is also a blow for Guy's morale - the hospital



has frequently been promoted as the flagship of the government's health reforms and a prototype for other trusts. Lord Hayhoe, who will chair the new combined trust, said yesterday that Tim Matthews' leadership would provide an opportunity to build "the best hospital in London for patients, staff, teaching and research". Matthews first task, after getting his

senior management team in place this month, will be to develop a strategy for combining St Thomas' and Guy's. The government wants proposals for consolidating services on a single site within six months. It has not yet been decided which location will be chosen.

Griffiths, 48, who is expected to leave Guy's soon after the new trust comes into effect next month, said yesterday that he would "continue to provide the maximum support" in preparing for its launch. "I have no doubt that working together Guy's and St Thomas' will be a world beating combination," he said.

Matthews, 41, was previously district general manager of Maidstone health authority and manager of the Middlesex hospital. Before that he, like Griffiths, worked in the Department of Health.

Non-executive directors



■ Alan Wheatley (left), chairman of St Group, at LEGAL & GENERAL.

■ Sir Derek Hornby (right), chairman of the British Overseas Trade Board, the Institute of Management, CECIOS, and Astra Training Services, as chairman of VIDEO ARTS.

■ Sir Brian Goswell, senior partner of Healey & Baker, at BRENT WALKER, the first to be appointed since Sir Keith Bright became chairman.

■ James White, chairman of Ashley Group and former chairman and coo of Buzal, at BOWATER Inc to fill the unexpired term of the late Earl of Carrick.

■ William Colacicchi, a partner in Wilcoxon Lane Clutterbuck,

at THOMAS WALKER.

■ Stanley Bard at WEST TRUST.

■ Mitchell Barry, chairman and chief executive of Allied Foods, and Fergal O'Dwyer, a director of DCC Corporate Finance, at WARDELL ROBERTS.

■ Geoffrey Turley has retired from BAGGERIDGE BRICK.

■ Peter Jamieson, a director of Robert Fleming Holdings, and Bernard Solomons, chairman of Allied Provincial, at SCOTTISH AMICABLE.

■ Andrew Douglas at QUADRANT GROUP having stepped down as chief executive and is succeeded by David Coghlan.

■ Hamish Grossart at RADIO CLYDE HOLDINGS; Alick MacMillan has retired.

■ Francis Hayes has resigned from AB ELECTRONIC PRODUCTS GROUP following its acquisition by TT Group.

■ Lionel Wernick and Joe Wernick as joint chairmen at THE WERNICK GROUP OF COMPANIES.

■ Nicholas Chamberlain, chairman of Clive Discount

and of the Lombard Association, as a trustee director of the IMPERIAL PENSION FUND.

■ Bill Slater, chairman of the Mersey Docks and Harbour Company, as chairman of BIFANET, the electronic trading network established by the British International Freight Association.

■ Jamie Borwick, a director of Adam and Harvey Group, at RANELAGH.

■ Robert Fee at MAGNOLIA GROUP.

■ Charles Lenox-Conyngham, former chairman and chief executive of Sealink, as chairman at HARTONS GROUP; he succeeds John Abell who has resigned.

■ Philip Sober, former senior partner of Stoy Hayward, at CAPITAL & COUNTRY.

■ John Robins, group financial director of Willis Corroon Group, at CHURCH & CO.

■ Nigel Robson, a non-executive director of FLEMING EMERGING MARKETS Investment Trust, died on February 25.

Lovering joins Tarmac's trio

John Lovering, Sears' finance director until mid-1992 who resigned from the retailing group at the end of January, has arrived at Tarmac, the UK construction and building materials group which is expected to announce substantial losses for the past financial year. In the newly-created position of chief operating officer, he will be working in harness with Neville Simms, chief executive, and Terry Mason, Tarmac's finance director.

Simms said yesterday: "Tarmac is a very large group and I see us working as a triumvirate. John Lovering will assist me with day-to-day operational management and with business planning and development."

Lovering joined Sears in 1986, becoming finance director in 1988. Last year he was moved to the post of managing director of corporate development and international operations. Sears chairman Geoffrey Matland Smith commented at the time of Lovering's departure: "He felt his talents were not being utilised."

Before joining Sears, he held senior posts at Lex Service, Grand Metropolitan and Imperial Group.

■ John Miller and David Bryant have been appointed regional chairmen responsible for Scotland and the north west, and East Anglia and the south east, respectively, at PERSIMMON.

■ Keith Calvert has been promoted to become md of Alford Brothers, part of PROWING.

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هكذا من القليل

Horizontal slice of European art

William Packer looks back to the works of 1893 at the Musée d'Orsay

The chronological study of a movement's development, or the retrospective account of a particular artist and his work, is the staple of art-historical museum practice. But there are other ways to slice it for the microscope than up and down. The Musée d'Orsay has been looking sideways more and more in recent years, and now, after the success of its contextual studies of Van Gogh and then of Munch in their Paris periods, it has made the horizontal slice much thinner and chosen to see what artists of all kinds throughout Europe were up to in a single year.

The single-year idea is not new — I can remember a modest but excellent show at the Tate in the mid 1970s, of works in the collections made in 1955 — but this is the first I can think of to attempt so ambitious, pan-European a view. As such it can hardly fail to be interesting and enjoyable to anyone of open mind and catholic tastes. Here, cheek by jowl, sit great works alongside manifest oddities, the familiar with the unfamiliar or unjustly forgotten, different views and approaches to the same subject, the different results to be had from similar practice.

A full century ago, 1893, is as good a year as any to settle on, with Europe, *fin de siècle*, at its most cosmopolitan. And if Paris remained at the heart of things, we have for once a French exhibition that does admit of a significant world beyond. The sectional titles set out the possibilities — inspiring places; daylight; primitivism; science and poetry; intimacy and modernity; myths, religions, allegories; muses, nymphs and shepherds; crowds, processions, solitude; artists, writers, musicians.

Every section springs its surprises and pleasures. Here are Prince Eugen (Sweden), with a barn-like castle beneath a wide northern sky, and DeGouve de Nuncques (Belgium), whose strangely lit pink house is a clear anticipation of Magritte, with a row of Monet's Rouen facades across the room. Here are towering cliffs by Medynsky (Hungary); a mystical sunset by Solberg (Norway); trees on breezy hill-top by Thoma (Germany). Tea, for Casas (Spain), is taken in pregnant silence on the veranda; for Guthrie (Scotland), with gossip in the garden; Kroyer's young lady (Denmark)

sits quietly reading beneath the rose bush.

We are given two magnificent Gauguins, a self-portrait and "Otahi", a small but monumental image of a crouching Tahitian girl. And alongside are a Breton girl lying in the sun, by Amiet (Switzerland); a seated Breton girl in blue-striped shawl by the excellent Roderic O'Connor (Ireland); and a quite extraordinary, abstracted painting of Van Gogh's funeral, three broad bands of colour, yellow, purple-black and pink, and a row of orange heads above the pew, by Emile Bernard.

So it goes on, the influence accepted and remodelled, the intuitive sympathy, the unlooked-for correspondence. Burne-Jones's strange grey painting (England) of Perseus stealing, while they sleep, the single eye of the Graiae sisters of the Gorgons; Malczewski's spirit of the whirlwind in the cornfield; Masek's prophetic Libusa (Austria); Moreau's apocalyptic Moses saved from the water. The point of the strength and continuing importance of symbolism throughout the period, too often overlooked in the modernist preoccupation with post-impressionism, is well made.

The academic tradition, vivified by current impressionist example, is also well represented, most especially in the portraits and conversation pieces. Brissot's tall girl before the mirror (Holland); Renoir's piano lesson (Spain) with Renoir's two young girls at the piano; Corinthe's vigorous, cool portrait of the painter Leistikow (Germany); Rothenstein's of the painter Conder, turning to leave the room (England); Serov's of the painter Levitan (Russia); the artist's wife splendid in her scarlet dress by Anders Zorn (Sweden).

But most remarkable, perhaps, is the Italian contribution with its technical debt to Pissarro and pointillism, its conscious social realism and over-lay of symbolism and its clear fore-shadowing of the Italian avant-garde, Balla and Boccioni some ten years on. Here are Morbelli's old men in the bleak hospice, and his rice-pickers bent double in the fields; Nomentini's workers at a factory gate; and Polizza da Volpeta's religious procession in the summer sunshine, at once poignant, memorable and technically advanced.



The Swedish artist Anders Zorn's wife Emma, resplendent in her scarlet dress at their studio in Paris

The show ends with the proto-expressionism of Munch (Norway) and Ensor (Belgium) and a genealogy to Cézanne. There is also the mandatory audio-visual display, usually so resistible but this the most charming I have ever seen: an anthology of rare cinematic vignettes of the period, made by the Lumière brothers in the streets of all the capitals of Europe.

But interesting as it is, the show is not an unqualified success. With barely 90 exhibits, it is small enough, which is no bad thing; the Orsay space for special shows is restrictive and ill-designed in any case. But such portmanteau shows do hold out the promise of a generous and comprehensive presentation, and here

the promise is not truly delivered. The omissions are all too clear, where comparatively few additions, 20 or so, would have more than done the trick. Perhaps the loans were asked for and denied. Yet surely there could have been a Whistler and a Sargent, not say a Degas. And, from a British point of view, why no Steer, no Nicholson, no Clausen, no Stanhope Forbes...

"1893: l'Europe des peintres" — Musée d'Orsay, Paris 7me, until May 23

London concerts

Festival of Britten

The Barbican's latest big concert series (February 25 — March 21) is a celebration of Benjamin Britten by the London Symphony Orchestra and a whole galaxy of singers, choirs, instrumentalists and composers, led by Mstislav Rostropovich. He is its artistic director and guiding light; he is conducting most of the concerts, playing the cello in two others, and infusing everyone and everything with his overflowing generous musical personality.

This is, above all, his tribute to Britten, the last of the "three composers who have had the most influence in shaping my musical life": thus he writes in a foreword to the LSO programme book, itself decked with photographs documenting the association of Britten, Pears, Rostropovich and Vishnevskaya — relatively short in clock-time (not quite two decades), infinitely significant in creative terms.

But while the festival may focus on the artistic stimulus — of composer on cellist (and soprano wife) and vice versa — that resulted from this association, its programme is by no means narrowly single-minded. The LSO's opening concert, last Thursday, had no Britten in it but much Britten-by-reflection. The opening item was his little-known 1941 arrangement of the "flowers" movement from the Mahler Third Symphony; the finale was Shostakovich's Fourteenth Symphony, dedicated to him.

Mahler as Britten influence and Shostakovich as Britten's 20th-century artistic companion-in-arms are potent, fascinating subjects that cropped up again for examination in Sunday's two Barbican Hall concerts — the afternoon Borodin Quartet recital (which showed both Britten and Shostakovich learning the meter of string-quartet composition) and the evening LSO concert (which ended with Britten's 1939 *Sinfonia da Requiem*, its anguish and consolatory calm deeply imbued with the spirit of Mahler's Ninth Symphony).

This intelligent artistic cross-

referencing adds to the excitement of the whole enterprise.

Another strand concerns Britten as enlightened patron of younger composers such as Robert Saxton, Oliver Knussen and Colin Matthews. All three are featured during the series; for Thursday's concert the LSO had commissioned Matthews's *Memorial*. This sombriely impressive single-movement threnody attempts to capture in music a war-vision something like Lutyens's "great untriumphal arch" at Thiepval, commemorating the fallen of the Somme (where Matthews's grandfather is buried).

A single pedal-note tolls in the bass throughout the 20-minute length. Above it, reflections of two of Britten's most

Rostropovich responds with an uninhibited fervour that nevertheless proves apt only some of the time. He gave the *Simple Symphony* so fiercely loving and drawn-out a bearing that its "Sentimental Saraband" all but collapsed under the strain; the slow sections of the *Sinfonia da Requiem* were likewise distended. Even then, however, while longing for a lighter touch and a sharper sense of half-lights and expressively glancing orchestral effects, one tends to find oneself disarmed by his all-embracing Britten enthusiasm. (The festival is supported by Britten-Pears Foundation and Britten Estate.)

Max Loppert

This concert series at the Barbican is, above all, Rostropovich's tribute to Benjamin Britten

Earlier on the opening evening of the festival there was real Britten to be heard, though only for a select number of the audience. In the intimate setting of St. Giles Cripplegate students of the Guildhall School of Music presented *Curlew River*, the first of Britten's three Church Parables.

Even when they are encountered straight after work and at a church in the very centre of a city, far from the hallowed rustic silence that the composer had in mind, these remarkable pieces cast a unique spell. *Curlew River*, a Japanese Noh play transferred to the misty fenland of East Anglia and given a Christian slant, is probably the best of them. Its music is spare, infinitely sensitive to the touch; its atmosphere is haunting.

Various student groups have tried their hands at the Church Parables over the years, but the Guildhall's production, in the care of Jonathan Alver, came closest to the exaggerated Noh-style gestures of the original. The vocal parts, including Mark Milhofer's plangent Madwoman and Mark Evans's sturdy Traveller, were without exception well taken. Every good festival has its fringe activities and the success of this one reflected well on the main programme.

Richard Fairman

'The Juliet Letters': Elvis Costello and the Brodsky Quartet

"This is no more my stab at 'classical music' than it is the Brodsky Quartet's first rock and roll album" warns Elvis Costello in the sleeve notes to *The Juliet Letters*. The release of the disc, and the performance at Drury Lane on Sunday, are the latest stage in Costello's carefully calculated move away from the rock back-ground of his earlier work and towards something (not "that junkyard named 'Cross-Over'" he insists) that he clearly hopes will prove to be richer and stranger.

With sublime hindsight hints of growing disaffection with the direction of his career could be traced through Costello's last two albums, *Spike* and *Mighty Like a Rose*. But neither of those patchy collections contains anything to anticipate *The Juliet Letters*, in which he seems to have abandoned almost every shred of his past work and started again from scratch, working with the members of the Brodsky Quartet on a sequence of songs for which the writing credits are shared equally.

The intentions may have been honourable enough, but the result is hugely disappointing; in submerging himself in this collectivity Costello seems to have sacrificed almost all his creative identity as a songwriter. There are just flashes that reveal the distinctive tang of his best work, an occasional twist to a vocal line or a familiar modulation, but the hard aerobic edge to the songs has all but gone; the rhythms of the lyrics are flatter, less abrasive, and the emotional power has been drastically dimmed.

The textures of a string quartet marry uneasily with Costello's voice; there are songs in the set in which the accompaniment would undoubtedly be far more effective on a guitar-based band, while at best the string figures simply blur the melodic shapes. Promoting the Brodsky from a perfectly decent string quartet into creators in their own right has really added little; the accompaniments and interludes which the players invent for *The Juliet Letters* simply phrase choice points of their

mainstream repertoire — a Bartók pastiche here, some Shostakovich or Britten tags there. It is not surprising there is little sense of coherence, while hearing some of his words put into Costello's mouth only reminds one of the power his own lyrics regularly generate.

In live performance, with a sound very faithfully duplicating the recording, the anodyne effect of the songs was if anything emphasised. Costello sings them well enough, standing among the quartet to underline the blameless democratic basis of the exercise. No one could deny the finest British singer-songwriter of his generation has not earned the right to experiment, to explore new directions; it is the extent of Costello's failure here that is so surprising, the huge sense of disappointment that is hard to accept.

Andrew Clements

Theatre Royal, Drury Lane; "The Juliet Letters" on Warner Bros 9392 45180-2

Theatre/Alastair Macaulay

The Magic Fundoshi

This triptych of short Japanese plays were written in Kyogen style by Donald Richie, the British authority on Japanese film, during his 50 years in Japan. Kyogen drama, as Richie has written, is "satyr-play, and-masque; it is Pyramus and Thisbe to Noh's Theseus and Hippolyta." And all three of these are miniature comedies in nicely bawdy vein. *Perfect Servant* is like an erotic joke by Marivaux; *The Magic Fundoshi* is like a dirty rewrite of *The Emperor's New Clothes*; and *The Misplaced Goddess* is like a Whitehall farce set in a temple.

They are, however, acted here with laborious cuteness and zero finesse. I am sure that Glen Goel and Stephen Night, who co-direct, know far more about Japan than I; but this, surely, is Japan for tourists. David Tse, Adrian Pang, Danielle York and Andrew Mallett perform with an archness that implies that (a) "We're being Japanese, and refined, and quaint" (b) "You couldn't take any of this seriously, it's too silly" (c)

"But aren't we a hoot?" Everything smacked of schoolboy theatricals. I think I laughed once, but have forgotten when. Nor when the Lady Chibusa (Mallett) reads *Hello* magazine, anyway.

Acted with more authority, these plays could probably be enchanting. (Alas, there is always an audience to cherish crummy nudge-nudge acting, and the audience at Hammersmith's Lyric Studio chorles merrily.) Richie has a comic gift, which only falters in the climax of *The Misplaced Goddess*. The real goddess appears, and tells off these men for underestimating women — an apotheosis evidently intended as a feminist *deus ex machina* idea. But its feminism is expressed with such p.c. deadness that it seems to have been written by a machina for a machina, with no serious *deus* or idea in its head.

At the Lyric Studio, Hammersmith, W6, until March 20

Recital/Richard Fairman

Dmitri Hvorostovsky

The noisy enthusiasm which greeted this recital suggests that Dmitri Hvorostovsky is well on his way to becoming a fully-fledged matinee idol. With arms outstretched and head held high, a smile of audacious pride allowed to creep across his face as he polishes off another song to his own satisfaction, Hvorostovsky is clearly practised at how to play the part.

For the young Russian baritone who rocketed into public awareness when he won the BBC Cardiff Singer of the World competition in 1989 fame was won quickly. He has, however, worked in earnest to further his standing. His matinee recital at the Queen Elizabeth Hall on Sunday was no mere after-lunch selection of favourite tittles from the celebrity singer's sweet-trolley. This was a serious programme of Russian song at its most demanding.

The first half was all Tchaikovsky. By chance the audience included the Russian mezzo Olga Borodina (in Lon-

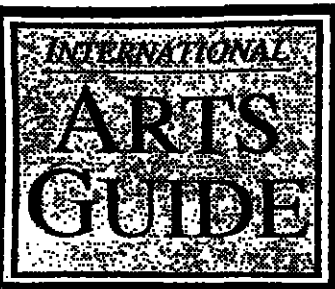
don to sing Berlioz's *La Dame aux Camélias* at the Royal Opera) whose Tchaikovsky recital at the Edinburgh Festival last year was so unforgettably good. Comparisons are difficult to resist: if Borodina was the more determined to get to the heart of each song, Hvorostovsky was also musically eloquent, dramatically varied.

Occasionally there were odd phrases in these songs where the baritone's instrumental shaping of the vocal line recalled old recordings of bel canto singers of the past. But when he sings out, especially at the top, the voice does not grow in size and brilliance as one might expect. The top notes at the end of "Be it day that reigns", with the singer proudly inviting applause and Mikhail Arkadiev thunderously coming close to drowning him at the piano, suggested both of them thought that he was making more noise than he really was.

The pleasure of the recital came not in the thrill of hearing a fine voice in full flood, as

Hvorostovsky might suppose, but in the beauty of so much of the singing, its malleability, its sensitivity to colour. Of the Tchaikovsky songs, "Amid the din of the ball" stood out for its conversational intimacy and "On yellow cornfields", a marvellous song, for its feeling of intensity with room to spare. Musorgsky's *Songs and Dances of Death* were not monochrome sepulchral black, as they were with Christoff and Nesterenko, but subtly contrasted studies of Russian gloom.

Encores included a pair of arie antiche and Bellini's *I Puritani*, suavely sung, the breath control as remarkable as ever. By that point it was no doubt a sensible idea to vary the programme, but it is Hvorostovsky's accomplishment as an imaginative and serious interpreter of Russian song that will stay in the memory. Now that so many young Russian singers are coming forward who fully have the measure of this repertoire, there is no excuse for audiences in the West to ignore it.



AMSTERDAM

Muziektheater Tonight and tomorrow: Dutch National Ballet in choreographies by Balanchine, Ted Branden and Martha Graham. Thurs and next Mon: Glen Wilson conducts Pierre Audi's new production of Monteverdi's *Ullisse*, with Anthony Rolfe-Johnson and Graciela Araya (in repertory till March 30). Fri and Sat: Jacob's Pillows Men Dancers. Sun, next Tues and Wed: Nederlands Dans Theater (6255 4555)

Concertgebouw Tonight: Elvis Costello and Brodsky Quartet. Tomorrow: Teresa Berganza. Thurs: Rudolf Werthen conducts orchestral works by Prokofiev, Mozart and Stravinsky, with piano soloist Maria Joao Pires. Sat afternoon: Ivan Fischer conducts Radio Philharmonic Orchestra, with oboe soloist Heinz Holliger. Sat evening, Sun afternoon, Mon and Tues evening: Vassili Sinitski conducts Netherlands Philharmonic in Brahms and

Richard Strauss, with piano soloist Vladimir Vardo (6718 345)

ANTWERP

De Vlaamse Opera's new production of Falstaff, with John Del Carlo in the title role, opens on Fri (six performances till March 16). Stefan Soltesz conducts Gilbert Delfo's staging, designed by William Orlandi (233 6585). Nikolai Demidenko gives a piano recital tonight at deSingel. Roel Dierckx plays Bach cello suites on Thurs (248 3800)

ROTTERDAM

De Doelen Tonight: Arpad Joo conducts Budapest Symphony Orchestra in works by Bartok, Liszt and Tchaikovsky. Tomorrow: Robert Holl sings Winterreise. Fri evening, Sun afternoon: Frans Brüggemans conducts Rotterdam Philharmonic Orchestra in music by Bach. Sat: Monica Huggert plays Bach violin music (413 2490)

BRUSSELS

Monnaie Tonight: world premiere of Reigen, opera by Philippe Boesmans, libretto by Luc Bondy after Schnitzler. Sylvain Cambreling conducts a staging by Bondy, designed by Erich Wonder (repeated Thurs, Fri, Sun). Sat: Elzbieta Szymka song recital (219 6341). Palais des Beaux Arts Tonight: Rudolf Werthen conducts I Flammings in works by Prokofiev, Mozart and Brahms,

with piano soloist Maria Joao Pires. Thurs and Fri: Ronald Zollman conducts Belgian National Orchestra and Brussels Choral Society in Mahler's Second Symphony. Next Mon: Muir String Quartet plays Beethoven, Kreisler and Schubert (507 8200). Theatre National Tonight: first night of Bettina, a Goldoni adaptation directed by Jean-Claude Berutti. Daily except Mon till March 20 (217 0303)

GENEVA

Gillian Weir gives a recital on the new organ at Victoria Hall on Sun afternoon (311 2511), followed on Mon by a piano recital by Mikhail Pletnev (310 6611). Francois Rochaix's new production of Dialogues des Carmelites opens next Tues at Grand Théâtre (311 2311)

THEATRE

A two-week run of Robert Pinget's mystery play *L'Inquisiteur* opens tonight at the Comédie (320 5001). Next Tues at Théâtre de Carouge: world premiere of Monique Lachère's new play about Catherine de Medici (343 4343)

THE HAGUE

Danshetheater Tomorrow: Dance Group Krizztina de Chatel. Thurs, Fri, Sat: Nederlands Dans Theater in Jiri Kylian's *Kaguyahime* (repeated March 11, 12, 13). Sun: Scapino Ballet Rotterdam. Next Mon and Tues: Dutch National Ballet in

choreographies by Balanchine, Martha Graham and Ted Branden (380 4930). Dr Anton Philipszaal Sat: King's Singers. Sun afternoon: Arnold Oostman conducts Netherlands Radio Chamber Orchestra in works by Gade, Vieuxtemps and Mendelssohn (360 9810)

UTRECHT

Vredenburg Tonight: Sine Nomine Quartet. Tomorrow: Rudolf Werthen conducts I Flammings, with piano soloist Maria Joao Pires. Thurs: Robert Holl sings Winterreise. Fri and Sun afternoon: Graeme Jenkins conducts Radio Symphony Orchestra in works by Beethoven, Bartok and Rakhmaninov. Sat: Frans Brüggemans conducts Rotterdam Philharmonic in music by Bach (314544)

VIENNA

Operntheater Tonight, Fri and next Mon: Madama Butterfly with Diana Soviero and Neil Shicoff. Tomorrow: Arabella with Kiri te Kanawa. Thurs: two Richard Strauss ballets. Sat: Die Zaubertöte. Sun: L'elisir d'amore (51444 2955)

CONCERTS

Musikverein Tonight: Rafael Frühbeck de Burgos conducts Vienna Symphony Orchestra in Mahler's Third Symphony. Tomorrow: Anne Sofie von Otter song recital. Fri: Dmitri Sitkovetsky directs New European Strings in Vivaldi and Tchaikovsky. Sat and Sun: Jiri

Belohlavek conducts Czech Philharmonic in works by Martinu, Dvorak and Tchaikovsky. March 6, 14: Prof HC Robbins Landon talks about Haydn performance practice, as part of the Haydn concert series this month in the Brahms Saal (505 8190)

Konzerthaus Tonight: Ensemble Aurora in music by Frescobaldi, Gabrieli and others. Tomorrow, Fri, Sat: Jordi Savall directs Hesperion XX. Sun: Richard Goode plays Schubert piano sonatas. Mon: Alban Berg Quartet plays Lutoslawski and Ravel (712 1211)

WASHINGTON

Opernhaus Tomorrow and Sun afternoon: La clemenza di Tito with Lucia Popp and Ann Murray. Tomorrow and Sat: Nikolaus Harnoncourt conducts Ruth Berghaus' new production of Der Freischütz, with Inga Nielsen, Gösta Winbergh and Matti Salminen. Fri and Sun evening: ballets by Nijinski, Saint-Leon and others (262 0909)

ZURICH

Schauspielhaus Tomorrow, Thurs, Fri, Sun: Goethe's *Clavigo* directed by Henning Brockhaus. Sat: first night of new production of The Hostage, Brendan Behan's play about an IRA safe house where a British soldier is held prisoner (221 2283)

tomorrow: Cleo Laine and John Dankworth. Fri: masters of folk violin. Sat: guitar wizards (country, blues, jazz). Sun: singer/guitarist John Gorka (1824 Trap Road, Vienna, Virginia, 703-255 1916)

Blues Alley Jazz Supperclub Tonight: John Scofield Quartet. Thurs: singer Joe McPhee. Fri, Sat, Sun: Maynard Ferguson and Big Bop Nouveau. Mon: Larry Coryell and Harvey Schwartz, guitar and bass (1073 Wisconsin Ave, in the alley, 202-337 4141)

European Cable and Satellite Business TV (All times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0730; 2230

MONDAY

Super Channel: West of Moscow 1230. Super Channel: Financial Times Reports 0630

WEDNESDAY

Super Channel: Financial Times Reports 2130

THURSDAY

Sky News: Financial Times Reports 2030; 0130

FRIDAY

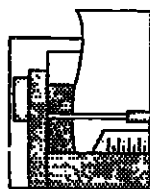
Super Channel: European Business Today 0730; 2230. Sky News: Financial Times Reports 0530

SATURDAY

Super Channel: Financial Times Reports 0930. Sky News: West of Moscow 1130; 2230

SUNDAY

Super Channel: West of Moscow 1830. Super Channel: Financial Times Reports 1900. Sky News: West of Moscow 0230; 0630. Sky News: Financial Times Reports 1330; 2030



PERSONAL VIEW

On both sides of the Atlantic, a debate is taking place about bankruptcy law. There is a lot at stake. When a company needlessly goes to the wall, the overall health of the economy is threatened - to say nothing of lost jobs and wrecked lives.

Bankruptcy law should play an important role in resuscitating financially distressed companies that are inherently sound. But current procedures are failing to deliver. A recent Coopers & Lybrand report concludes that, despite reforms in 1986, UK insolvency procedures too often "bayonet the wounded". In the US, Chapter 11 is thought to be slow, costly and too soft on debtors.

Practitioners have suggested ways of amending current procedures. While many of these changes are sensible, there are more fundamental problems that no amount of tinkering will solve. A radical restructuring of bankruptcy law is needed. We propose a new procedure, which is simple and quick, and gets the balance between liquidation and reorganisation right.

Almost all existing procedures can be crudely classified into two types. In the first type, a bankrupt company's assets are sold off for cash, and the proceeds distributed to creditors according to the seniority of claims. This type of procedure - in essence a cash auction - is how Chapter 7 operates in the US, and how most liquidations and receiverships work in the UK.

Cash auctions are attractively simple. The worry is that they lead to the piecemeal liquidation of healthy companies. Of course, in principle, there is nothing to stop someone from making a cash bid for the company as a going concern. The problem is that it is costly to buy the whole of a large company for cash. So even viable companies may be broken up.

To overcome the danger of inefficient liquidation, a second type of procedure has been developed. In the UK, this is the administration order; in the US, it is Chapter 11. Although the details of the UK and US procedures are very different, both can be viewed as forms of structured bargaining. The idea is to encourage creditors to agree on a reorganisation plan for the company, including a restructuring of their claims. Crucially, a plan

The beauty of a vote

Reform of bankruptcy law could help revive ailing companies



can be agreed by a suitable majority of the creditors: unanimity is not required. Creditors may of course decide to liquidate, and this is how most cases end up.

Reorganisation is a laudable objective, but there is an inherent problem with structured bargaining procedures. Creditors are being asked to make two decisions. First, what should happen to the company - should it be reorganised or liquidated? Second, who should get what - whose debt should be forgiven, and by how much?

Serious conflicts of interest arise when these two matters are decided together. Senior creditors may push for rapid liquidation since they will certainly get paid. Junior creditors and shareholders may want to gamble on the reorganisation process, since they enjoy the upside gains if the company's prospects improve, but do not suffer the downside losses. In structured bargaining, people are not only squabbling over how to divide the cake, they are also fighting over which cake to divide. This mixing of decisions is a recipe for failure.

We propose a procedure that has the simplicity of a cash auction, but which is flexible enough to allow for reorganisation, without conflicts of interest. At the outset of bankruptcy, an insolvent company's

debts are cancelled. The accountant or judge supervising the process then solicits bids for the company. The crucial difference from a cash auction is that bidders can offer to buy the company using as means of payment securities in the post-bankruptcy company.

Suppose the company's managers believe that the bankruptcy was owing to bad luck rather than their bad management. They want to continue running the company, but do not have the cash to buy it outright. Under our proposal, they could bid to retain their jobs by offering equity in the post-bankruptcy company.

Another possibility would be to make a bid comprising cash and equity, where the cash is raised by borrowing against the company's future profits. An outside management team could make the same kinds of bids. And of course anyone is free to make a purely cash bid.

The difficulty in evaluating these various bids is that they are chalk and cheese. How does one compare a cash bid to a non-cash bid? The answer is to transform the former claim-holders into shareholders, and then let them vote on the bids. There are a number of ways of doing this.

One market-based mechanism gives all the equity initially to senior creditors. Junior creditors have the right

to buy out the senior creditors once the bids are announced: someone owning 1 per cent of the junior debt is given the option to buy 1 per cent of the equity from the senior creditors at a price equal to 1 per cent of the senior debt. Similarly, former shareholders are given the option to buy back the equity from the creditors as a whole.

The merit of this scheme is that it preserves the seniority of claims without requiring an external valuation of the company. No junior claimant need feel short-changed, since he or she can always buy out the senior claimants if he or she thinks their equity allocation is worth more than what they are owed.

Once the new shareholders have been determined, they vote on which bid to accept. If the vote goes in favour of a cash bid, the company is in effect liquidated or sold. If a non-cash bid wins, then the company is in effect reorganised.

The advantage of a vote is that it leaves the decision over the company's future - whether to liquidate or reorganise - in the hands of the (new) owners. And at the moment of decision, these owners' interests are aligned, since they are all shareholders.

Moreover, there is no squabbling over the division of the company's value, since the procedure determines this mechanically via the options.

We think our procedure strikes the right balance between liquidation and reorganisation.

Unlike a cash auction, the procedure gives claim-holders the option of maintaining the company as a going concern if the company's bad fortunes are the result of bad luck rather than bad management.

Unlike administration or Chapter 11, the procedure avoids conflicts of interest. It is quick and cheap. And it is not biased in favour of incumbent management. Managers must persuade the new shareholders to vote them back into office, presumably against a competing cash bid. The threat of losing one's job provides a strong incentive to avoid bankruptcy.

Philippe Aghion,
Oliver Hart
and John Moore

The authors are, respectively: official fellow at Nuffield College, Oxford; BP visiting centennial professor at the London School of Economics; and professor of economics at the LSE

Joe Rogaly

A colour-blind vision



Police chiefs everywhere will recognise the powerful phrases used by Mr Paul Condon, the new commissioner of London's metropolitan police, at the weekend. "The dire consequences of racially based nationalism, ignorance, prejudice and outright thuggery," he said, "have already been seen to a greater or lesser extent in Italy, in France, in Belgium and of course in Germany." He did not exclude his own country. "Our society is in the process of becoming an even richer mix of races and nationalities," he reminded his audience at a three-day conference on "fairness, community and justice", organised by the Metropolitan Police.

His clear implication was that "outright thuggery" is used against Asians, Africans and West Indians in Britain. We all know this. England's assaults on Indians and Pakistanis long preceded Germany's recent murderous attacks upon Turkish guest-workers. On the western side of the English channel, the perpetrators are usually young louts, but sometimes police constables. "This is an area where we must be totally intolerant - intolerant of racially motivated attacks, intolerant of those who indulge in racial abuse, and intolerant of those who use hatred and violence as the tools of their political expression," said the commissioner.

As to the police themselves, "we must be equally intolerant of our own colleagues who fail to meet the required standards. The argument that there is some excuse for poor behaviour because the culture of the service can only be expected to mirror that of wider society... is simply specious."

Mr Condon's words echo the warnings given to the Los Angeles police by Mr Willie L. Williams, the black successor to Mr Daryl F. Gates as chief in L.A. In saying this, I acknowledge the substantial differences between Scotland Yard and L.A. law. Blacks constitute a far greater proportion of the Los Angeles population. The ugly beating by four white officers of the black motorist, Rodney G. King, on March 3 1991, and the subsequent riots in Watts county, caused much more damage in California than anything that has happened in Britain. The burned-out acres of Watts are evidence of that, as I saw the other day.

Yet the fears in both cities are the same.

The British theory of assaults on ethnic minorities is that the less said about them the better. The Commission for Racial Equality has so far failed to persuade the government to create a new offence of racial violence. The government does collect figures showing reported attacks. But, although these suggest that there have been sharp increases over recent years, the actual numbers are meaningless, since black or brown victims often believe that there is no point telling the police. Worse, there is plenty of anecdotal evidence to suggest that some younger members of the force automatically assume that the non-white participant in any fight is the aggressor, no matter who started it.

My exposure to such stories started a few months ago with a telephone call from the CRE. It proposed a new set of annual media awards, for sensitive reporting or interpretation of

racial matters. Would I be one of the judges in the radio section? A few weeks later 32 tapes arrived - a total of 22 listening hours. Heavens! The only solution was to keep them for the motorway.

What I thought would be a bore turned out to be fascinating. The Britain revealed by these tapes is every bit as multi-ethnic as Mr Condon says it is. Non-whites constitute only 5 per cent of the population but a disproportionate number of them are under 16. These young new Britons may be visible in the streets, but many are indistinguishable to the ear. The really interesting voices were exactly those of natives of these islands.

On one tape a Chinese girl spoke with a pure Ulster accent; on another we had a Glaswegian Singh; on a third a Patel of the Welsh valleys. West Indians who speak undiluted Birmingham

are well-known; I heard a few as I sped along the M4.

Some of those interviewed, such as Diane Abbott, Labour MP for Hackney North (Harrow County grammar school and Newnham College, Cambridge), have clearly been able to look after themselves; many have not. Accounts of racial harassment, by pavement thugs or by the very police officers to whom the incidents were reported, were too consistent to be ignored. There is a contrary argument. Some forces have officers whose duty it is to record complaints of racial abuse, and to follow these up. The good intentions are there, but one or two individuals in a large and busy force cannot plot through the huge volume of reported inci-

dents of violence. None of the above should be taken by contestants as an indication of which tape has won. That is a separate matter, to be decided at the CRE ceremony at the end of the month. The point this morning is that Britain's ethnic community speaks to the rest of us through many hours of airtime. What it says fully justifies Mr Condon's weekend observations. These might serve to increase the propensity of victims to report racial incidents.

Beyond that, it is hard to see what can be done. British race relations are governed by a tacit agreement between the government and the majority of the electorate that remains suspicious of foreigners in general and black or brown ones in particular. The deal is this: whichever party is in government, and whichever the official opposition, will combine to enact an increasingly severe series of laws aimed at keeping non-whites out.

The latest example, debated in the House of Lords last month, is the Asylum and Immigration Appeals bill. On February 16, Lord Bonham-Carter observed that "there is racial discrimination in the way in which the system works at present; and that will become worse if there is no appeals procedure", as there will not be under the new legislation. "I should be surprised," he added, "if the more than one-in-1,000 Americans who were refused... entry - as opposed to the one-in-five Ghanaians and one-in-27 Jamaicans - were not black."

In return for this restrictive covenant, the native inhabitants of the white homeland of Britain are expected to treat the few Africans, Asians and West Indians in their midst with a degree of decency. Most do. Mr Condon's is the right approach to those who do not.

UK race relations depend on a tacit deal between government and the majority of the electorate that is still suspicious of foreigners

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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The Duke of Westminster 'should have read Marx'

From Mr Luca Salice
Sir, The Duke of Westminster seems genuinely surprised at the Conservative government's desire to interfere in property rights with the lease reform bill currently before Parliament.

The Conservatives are clearly trying to remove some power and wealth from the large London estates in favour of the professional middle classes that live in West End flats.

This is a case of redistribution of wealth from the very rich to the merely rich.

Had the Duke of Westminster read his Karl Marx as a young man like everybody else, he would have realised that the shifting of the balance of power between social classes is what politics is all about.

Politicians of all persuasions endeavour to protect or extend the power of some social classes at the detriment of others. Had the Duke realised that, he might have adopted the well-known policy of diversifying one's investments.

Luca Salice,
3 Ascham Street,
London NW5 2PD

Housing bill and Britain's constitution

From Mr George Donath
Sir, My regard for the Conservative Party is much enhanced by its steadfast pursuit of the Housing Bill, albeit in a somewhat emasculated form, and notwithstanding the loss of the Duke of Westminster's support.

The Duke wishes to use Britain's unwritten constitution as an impediment to change. It is in fact the opposite, for it permits parliament to update legislation in an orderly fashion, while restricting upheaval to the legislative chamber.

The Grosvenors have a litigious record in both the British and the European courts.

One would hope that the present Duke will not now set out to try to frustrate parliament's will by either further attacking the principle or searching for loopholes in the legislation.

This can only create bitterness, expense, a medium of delay and further legislation. George Donath,
37 Eaton Meads South,
London SW1W 9HR

A Welsh perspective on the freight transport debate

From A J Gooding

Sir, In his article "Little Engine Who Can't" (February 15th), Richard Tomkins makes a valuable contribution to the debate on road and rail as regards freight traffic.

His analysis of the issues is certainly borne out in south Wales, where there has been a dramatic decline in rail freight traffic consequent upon the collapse of the coal industry and the rundown in the steel industry, both of which were virtually captive markets for the railways.

It is of course true that the government and various other agencies have had considerable success in diversifying the economy of the area through inward investment and indigenous growth of manufacturing. But for the reasons given in Mr Tomkins' article, this has done little or nothing to halt the decline in the amount of freight carried by rail.

I believe that a fresh approach is needed. The government is now more committed than for long time to promoting transport infrastructure developments.

In these circumstances I suggest that it should commission a detailed study into the viability of establishing between a dozen or 20 railway-motorway interchanges with the most modern handling equipment, so that anything from a parcel to a full container load could easily be switched from one form of transport to the other.

I am convinced that if all the important industries within, say, a 20-mile radius of such an interchange were satisfied that freight deposited there between 4pm and 8pm one day would be available for collection at the nearest destination interchange between 6am and 10am the next morning, a good deal of long-haul traffic would be switched.

The truth of the matter is that most of our transport infrastructure is related to an economic structure which no longer exists or which has been transformed beyond recognition and over the years has "grown like Topsy" with little or no regard to an overall strategic plan.

The time has come for a fresh start. While we cannot wipe the slate clean, we should at least take steps to ensure that future infrastructure developments are coherent and meet the needs of the next century and not continue to be related to those of an earlier one.

A study along the lines I suggest would be an important step in the right direction. A J Gooding,
chairman,
Gooding Group,
27 Park Place,
Cardiff,
CF1 3BA

Brian Mulroney 'will not be missed'

From Dr Haroon Akram-Lodhi

Sir, Your leader, "Mr Mulroney's political legacy" (February 25) suggests that history will be kind to Brian Mulroney. However, the view from Main Street is very different from the view from Southwark Bridge.

Mr Mulroney pursued policies designed to restructure the Canadian economy. The results have been: an erosion of the

east-west trade which has historically served as the foundation of Canada's economic logic; a decimation of Canada's manufacturing sector; a loss of tens of thousands of jobs, many of which have shifted south to the US; and the longest, deepest recession since the 1930s.

By undermining the social solidarity upon which the Canadian federal state is built,

these policies have been instrumental in worsening Canada's divisions, not only between French and English-speaking Canadians, but also between eastern and western Canadians.

Mr Mulroney will not be missed. Haroon Akram-Lodhi,
Economics Division,
South Bank University,
London

Politicians ignore national identity at their own peril

From Mr Nicholas Lawson

Sir, The resignation of Mr Brian Mulroney, the prime minister of Canada, has garnered a fair share of attention. However, I feel the focus of the commentary has failed to highlight the true reason for the demise of Mr Mulroney's leadership career.

While it is true to say that his tenure suffered from the blight of economic recession, other issues are more central to his unpopularity. Mr Mulroney, like many politicians, failed to heed the history of his nation and the protestations of the citizenry.

His greatest error was his transgression on the citizens' ideal of the nation of Canada. He fostered and supported policies that attacked the institutions of the national political and social identity, from simple incidents such as the controversy over Royal Canadian Mounted Police uniform, to the

Meech Lake and Charlottetown Accords.

One must realise that being a Canadian is more than playing hockey and objecting to being called an American. There are intangible aspects that few Canadians can define, but they are all too aware of when violated.

A national identity does exist in the hearts and minds of every Canadian, which is built up from the aspects of the Canadian social structure and lifestyle.

Brian Mulroney showed too much petulant disdain for that which the man in the street holds dear, and his fate was predictable. Therein lies the true reasons for his fall from grace.

Nicholas R M Lawson,
Hollyhock Farmhouse,
Guildford Road,
Cranleigh,
Surrey,
GU6 8LT.

The dangers of stereotypes

From Mr Brian McNamara

Sir, While it may seem mean-spirited, I think you will find that most of your Irish readers would object to your characterisation of Brian Mulroney ("Irish charm turns sour on Mulroney", February 25) as an "Irish charmer".

Look at it this way - while you would perhaps be comfortable attributing a stereotypically British characteristic (for instance, "stiff upper lip") to a politician of British origin, you would think again before headlining Jesse Jackson's or Nelson Mandela's "sense of rhythm".

Innocent as it may seem, your Irish charmer label is in fact a stereotype, with more negative images, such as the usual "tendency towards exaggeration" (which was included in the same article), never far away. Brian McNamara,
Washington DC,
US

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Tuesday March 2 1993

Breaking up British Gas

THERE IS a strong *prima facie* case for some form of break-up of British Gas, and the current Monopolies and Mergers Commission investigation provides an opportunity to do so. Whether the radical dismemberment proposed yesterday by Ofgas is the right way to go remains to be seen.

The underlying principle behind the industry regulator's plan is right: competition wherever possible, and monopoly and regulation only where necessary. Ofgas convincingly argues that British Gas's transportation business is the only part of the gas supply market to constitute a "natural monopoly". It would be wasteful to build duplicate pipelines into customers' premises and, provided rivals can get fair access to these facilities, there is no reason why the rest of the gas market should not be competitive.

But is forcing British Gas to sell off 14 different companies necessary to achieve competition?

The case for creating a separate transportation company is compelling. The current integrated structure has made it difficult for competitors to get fair access to British Gas's pipelines. Divestment would ensure fair treatment, as the transportation business would no longer have an incentive to show favouritism to British Gas's marketing arm.

There is also something to be said for breaking the marketing business into 12 competing companies. A more modest proposal would be to remove British Gas's

de jure monopoly to supply domestic customers. But the group's *de facto* monopoly would be eroded more quickly if it was split into regional companies able to make deals into each other's territories.

More competition would create a greater incentive to improve efficiency, expand the market for gas and deliver a better quality of service. The main objection is political. Competition might lead to prices for some customers going up as cross-subsidies inherent in the system were eliminated.

The least convincing part of Ofgas's plan concerns a separate gas purchasing company. British Gas's dominant position in this part of the market is largely due to long-term contracts signed before privatisation. It is already being forced to sell on some of this gas to competitors and it is not clear that more should be done.

Moreover, most of Ofgas's arguments are theoretical. Before embarking on big structural changes to the industry, it is important that hard figures on the costs and benefits of a break-up are produced. So far the only published figures are a £3bn estimate from British Gas and a £250m one from Ofgas for the break-up costs. No attempt has been made to explain where these numbers come from, although the MMC has been given more detailed figures. British Gas and Ofgas must now make more financial information available to the public. The issue is too important to be decided behind closed doors.

Russia's backyard

AS THE political and economic situation in Russia worsens, the responses of President Boris Yeltsin grow more unpredictable. Already struggling to maintain his political authority at home, he has now turned off alarm bells abroad with careless talk concerning Russia's role in its immediate neighbourhood. In a speech to the centrist Civic Union grouping on Sunday, Mr Yeltsin said that given its "heartfelt interest" in suppressing conflicts around its borders, Russia should be granted "special powers" by the United Nations to act as guarantor of peace and stability in the former Soviet Union.

It is not clear whether even Mr Yeltsin knows what precisely he has in mind. But if — as Russia's wary neighbours and former subjects were bound to suspect — he is demanding some sort of international *carte blanche* to intervene beyond his country's borders, either in defence of Russian interests or in the more general cause of containing instability, he deserves a dusty response from the west. If he is attempting to play a useful mediating role, but appears hardliner in his armed forces by promising them a new extra-territorial role, then he is playing a dangerous game which, far from creating a "belt of good-neighbourly, friendly states" around Russia as he says he wants, could merely fan the flames of conflict.

Russia undoubtedly has an overriding interest in preventing the spread of conflict to its south and west: its troops are already in combat in Georgia and Tajikistan, and keeping a fragile peace in Mol-

dova; refugees from these wars represent a further burden on its resources; and fastidious tendencies abroad could easily infect the Russian federation itself.

It also has reasons for concern about the internal arrangements of some of its peers in the Commonwealth of Independent States. Some 25m ethnic Russians live in other parts of the former Soviet Union, and in some cases — Latvia, Kazakhstan and eastern Ukraine — they constitute nearly half the population. Such communities are a target for anti-Russian sentiment at a time when relations between governments are coming under increasing strain over energy prices, currency links and trade. In Latvia and Estonia, discrimination against Russian minorities represents a flash-point waiting to ignite.

But to acknowledge such interests is one thing; to give Russia a free hand in dealing with them unilaterally quite another. In some of the conflicts on its borders, Russia could conceivably play a useful mediating role. But many of them, its status as honest broker is not undisputed — and is likely to be further tarnished if it arrogates to itself an open-ended right to intervene in other sovereign states.

The west should tell Russia that it can only hope to resolve such disputes, and take its place in the community of civilised nations, by playing the fullest role in the international body set up to deal with them, the UN. Attempts to bypass that machinery will only make matters worse.

John Birt Inc

THE AVERAGE British citizen has long been entitled to take all possible steps, provided they are legal, to minimise his or her tax bill. But the director-general of the BBC, John Birt, is not an average citizen; and the revelation that Mr John Birt's pay has been finding its way into the family coffers via a tax-efficient private company has understandably raised eyebrows.

Yesterday's *Telegraph* decision to turn him into an employee of the corporation is undoubtedly the right one. But it leaves a disconcerting impression that, just as long as the public remained in the dark, the BBC and its board of governors were happy to live with an arrangement that did not stand up to public scrutiny.

It was certainly a curious arrangement for any director-general of the BBC. By calling himself a consultant and paying himself through a company, Mr Birt was able to effect a wide range of expenses against his remuneration, something which no ordinary employee is able to do. This is particularly unsettling to BBC staff at a time when they are being asked to absorb the effects of a programme of radical change initiated by Mr Birt.

Unlike most of those who are paid under contracts at the BBC, the director-general enjoys several years of tenure. And unlike most television producers who operate under a corporate banner, he does not derive his income from a wide range of sources.

The arrangement was nonetheless agreed by the Inland Revenue

and has been sanctioned over a period of many years. There is no way of knowing at this stage how widespread such arrangements are in broadcasting or any other business. Without such knowledge it is difficult to judge the case for prompt action to close this sort of loophole.

Just because a tax avoidance mechanism is legal, it is not necessarily acceptable for individuals of importance to exploit it, whether they be in the private or public sector. But more reliable information is needed before it can be judged whether it would be appropriate to take an early opportunity to tackle the specific loophole which permitted Mr Birt's arrangements. There are good arguments for reviewing the whole structure of corporation tax to address this and other concerns, but not on the basis of tax avoidance by a few television personalities.

The main policy matter to arise from the affair is a reminder that the pursuit of a simple tax system which is widely felt to be fair requires constant vigilance and determination. The fall in personal income tax rates under the Thatcher governments did much to undermine many of the more Byzantine tax avoidance methods, but there is still work to be done.

For the BBC, the main issue is the question mark raised, once again, over the judgment of the board of governors. But it seems no more likely than others in British public life to accept responsibility for an evident blunder.

If you ask Mr André Lévy-Lang, chairman of Paribas, the French banking group, how his company is faring, the answer is scarcely cheering. "We had a tough time in 1992," he said, "and 1993 is going to be another difficult year."

Mr Lévy-Lang is not alone. The 1992 figures for Paribas and the other big French banks, due to be published over the next few weeks, will paint an unpleasant picture of sluggish operating profits from their banking activities and steep provisions against losses on property and industrial investments.

The French banks, which include six of Europe's 20 biggest banks, are now beginning another bruising year of struggling with both the short-term pressures of the economic slowdown and the long-term challenge of adapting to life in an increasingly competitive market. The problems could not have come at a worse time for Crédit Lyonnais and Banque Nationale de Paris (BNP), the state-controlled banks which are prime candidates for privatisation if, as the opinion polls suggest, France's conservative coalition wins this month's parliamentary elections.

One of the main difficulties is the sluggish state of the banks' domestic market. The high level of French real interest rates, at more than 7 per cent, has depressed demand for credit among consumers and industry. "Demand for credit is static for the first time since the war," said Mr Michel Fèbureau, chairman of Crédit Commercial de France. "This means that the volume of banking activity is very low."

The credit problem has also made it difficult for the banks to respond to the recent rise in short-term interest rates triggered by the Bank of France in its battles to defend the franc. The bank raised its short-term lending facility, which sets the rate at which banks borrow money, from 10 per cent to 12 per cent in early January. The action was aimed at deterring speculation, by making it more expensive to borrow funds in francs.

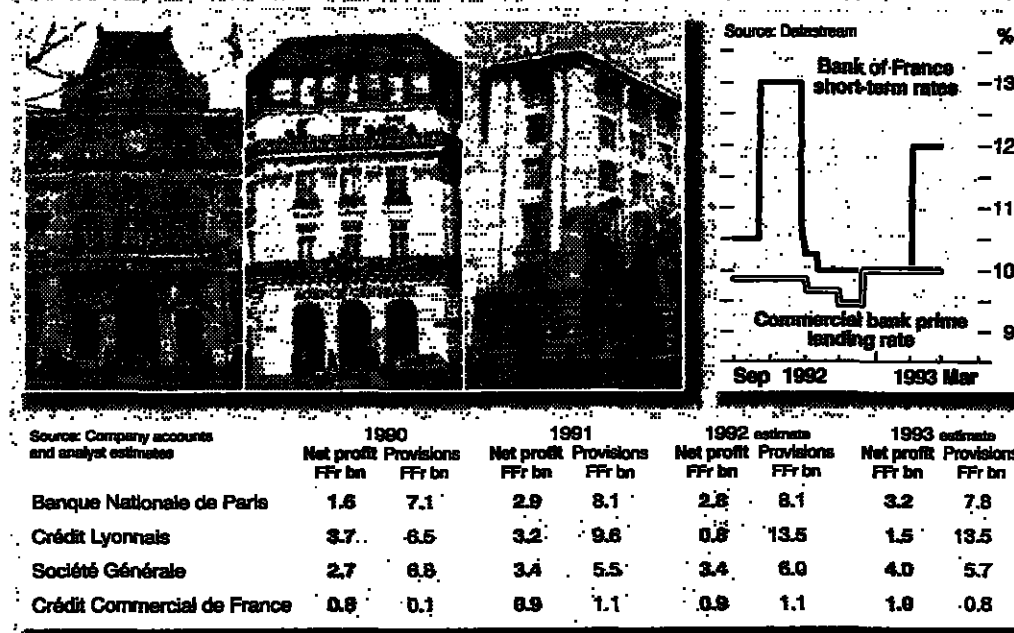
This increase also raised the banks' borrowing costs. In normal conditions they would have responded by raising the base rate they charge for loans to their own customers. But they have been reluctant to do so, partly for fear of offending the government, which is anxious to avoid another interest rate rise before the elections, and partly because of concern that higher base rates would further depress demand for credit.

The big banks have left base rates at 10 per cent since December. The French banking association estimates that, since the short-term facility rose in early January, their total borrowing costs have risen by FF100m (£12.5m) a day. The Bank of France is committed to reducing

French banks are beginning another bruising year in their domestic markets, writes Alice Rawsthorn

Exposed to chill economic winds

French banking: no sign of a pick-up



short-term rates, but is unlikely to make substantial cuts until German rates fall further, for fear of imperilling the franc. The banks have been left in the unenviable position of having to decide whether to struggle on with higher borrowing costs, or to risk losing business by raising base rates.

These problems have been aggravated by the fragile state of the property market, particularly in Paris where average rentals have fallen by 20 per cent over the past three years. Mr Lévy-Lang estimates that the banking industry may have to write off up to FF70bn on property loans.

Banks have also been hit by the plight of small companies. The number of business failures —

mostly small concerns — rose by 7.3 per cent in the year to last August, leaving the banks with a string of bad debts.

As a result, the four largest commercial banks — BNP, Crédit Lyonnais, CCF and Société Générale — have seen their average level of provisions as a percentage of average loans treble from 0.4 per cent in 1989 to 1.2 per cent in the first half of last year. While this level may be relatively high for French banks, however, it is low by international standards. The comparable figure for the four big UK banks in 1992 was 2 per cent. Moreover, French bankers argue that higher provisions, like the credit squeeze, are due to short-term factors.

"We've been through all this before in the mid-1970s and early 1980s," said Mr Marc Vienot, chairman of Société Générale. "The property crisis, business failures and the market slowdown are all cyclical problems which will be resolved when the economy picks up."

So far, there is no sign of a pick-up. The latest Bank of France survey suggests the economy has

deteriorated in the opening months of this year, largely because of the effect of the strong franc on exports. Economists expect the strains to continue until after the elections, with the recovery starting in the second half of the year.

"The worst is probably over," said Mr Chris Davis, banking analyst at BZW in London. "The cyclical pres-

ures should have eased by the end of this year and the banks must then address their main structural problem — the high cost of their branch networks."

French banking overheads are high by international standards, with a cost-to-revenue ratio of 70 per cent, against 65 per cent in the UK. The banks are trying to resolve this by shedding staff, which repre-

sents 60 per cent of costs. The French banking association estimates that the industry, which employs 430,000 people, is now reducing staffing at an annual rate of 2.3 per cent, against an average of 1 per cent for the past four years. The banks are also responding to domestic pressures by expanding outside France. The industry has traditionally taken a cautious approach to international investment, with the exceptions of Paribas in capital markets and Crédit Lyonnais with its successful European commercial banking network. However, last month CCF joined forces with Germany's BHF Bank to take control of Charterhouse, the UK merchant bank, and BNP declared an interest in buying Banco de Fomento of Spain.

The most pressing question on the domestic agenda is whether the banking industry's present problems will jeopardise the conservatives' plans to privatise BNP and Crédit Lyonnais. Both state banks have been badly affected by the economic slowdown. BNP, which has adopted the more cautious strategy of the two, saw net profits fall from FF2.94bn in 1991, to about FF2.78bn in 1992, and is on course for a modest recovery to FF3.2bn this year, according to Shearson Lehman, the investment bank.

Crédit Lyonnais is in a more precarious position. It barely broke even in the first half of 1992 and analysts forecast a fall in net profits from FF3.2bn in 1991 to less than FF1bn last year. The *crux* of its problems is the aggressive lending policy, pursued since Mr Jean-Yves Haberer became chairman in 1988, which has left it exposed to a string of corporate catastrophes, including \$350m to Olympia & York, the Canadian property group, and \$900m to MGM, the stricken US film studio. The bank is also worried by speculation that its M&A exposure is far higher than its \$900m estimate. "Could you privatise Crédit Lyonnais right now? I would," said one observer. "And I wouldn't try selling BNP on last year's figures." However, analysts are confident that both banks should be marketable in two or three years. The most discussed scenario is that Mr Haberer will be replaced at Crédit Lyonnais after the elections and BNP will live up its image with deals such as Banco de Fomento.

"This certainly isn't the right time to sell either BNP or Crédit Lyonnais," said a second observer. "But there's no reason why they shouldn't be sold in late 1994 or 1995. The whole French banking system should look a lot healthier by then. If there are no more disasters, Crédit Lyonnais might even look like an exciting investment — exciting in the right way."

World Bank's worst-kept secrets

Michael Holman argues for an open approach in Africa

The time has come for the World Bank to open to public scrutiny its relationships with the governments of Africa, just as it has urged the continent's leaders to open up to their citizens. Transparency and good governance demand it.

Instead the bank withholds information. Country reports, sectoral analyses and project evaluations are classified as confidential. Often they are the only source of reliable data in Africa, but bank officials apart, only a handful of politicians and civil servants is allowed access to them. This restrictive approach does Africa a disservice — it stifles debate, protects vested interests and gives structural adjustment programmes a bad name.

Many governments around the world would like to control the information supply, but in Africa it is easier to do so than elsewhere. The private sector is weak, the press is vulnerable, universities starved of resources, think-tanks are almost non-existent. Who can fill the information gap if governments will not? Only the bank. It already plays an important

part. Its 1989 analysis — Sub-Saharan Africa: From Crisis to Sustainable Growth — remains required reading. Hardly a month goes by without a new study on some aspect of the continent's economic crisis. But it is a different matter when it comes to operations in individual countries.

The bank's relationships with some of its African clients are profoundly unhealthy: protective, secretive or defensive, sometimes all three. Governments are too often being given the benefit of the doubt when practice falls short of promise, and presidents' white elephants are indulged.

Take Nigeria: why the circumspection with which the bank handles its biggest customer in Africa? The bank has been the main supporter of the structural adjustment programme launched by President Ibrahim Babangida in 1986. After a promising start the programme ran into serious difficulties, undermined by corruption, weak management and fading political commitment.

But these factors are not evident from a look at the bank's 1992 annual report on the state of black Africa's largest economy. "Growth in Nigeria's GDP and agricultural sectors," it says, "both rose by about 5 per cent in 1991 with total non-oil production rising by just under 4 per cent. However the combined effect of the political transition and the short-lived effect of the Gulf crisis contributed to some weakening of fiscal and monetary discipline" (my italics).

This euphemism conceals a crisis. The unperpetrated view of Nigeria is revealed in a bank report — Public Expenditure Management in Nigeria — not intended for public consumption. It was based on a review conducted in early 1991. In this study, one finds a more enlightening account of Nigeria.

The report tells of "large-scale" spending of oil revenues "outside the purview of statutory controls". It speaks of "a lack of transparency and accountability of big spending decisions". It says that "public

expenditures [are] used more to distribute oil riches and generate lucrative business opportunities for selected groups than to ensure efficient delivery of goods and services to the country as a whole".

Ask Nigerians about their economic crisis and most will blame corruption and "saps" — the acronym for the structural adjustment programme, which has become synonymous with hardship, inflation and unemployment. But if they had access to information that the World Bank treats as confidential, they would be better able to see the link between corruption and mismanagement and the failure of "saps". They would gain more insight into Nigeria's plight, and why "saps" was introduced in the first place. This information would not ease the pain of austerity. But at least there would be a better understanding of why "saps" was not working and a more informed debate about alternative strategies.

Of course, the bank has an explanation for the secrecy. Without it, officials argue, governments would not co-operate. And confidentiality is clearly important. Yet all too often information that should be in the public domain remains secret. When information about grave mismanagement is withheld, confidentiality overlaps with complicity. It is now widely accepted that international aid should carry conditions, whether linked to human rights or political accountability. The World Bank should add access to information to that list. The reports and analyses on which adjustment programmes are based should be open to public scrutiny. Nigeria, which has promised to return to the path of reform, would be a good place to start. Chief Ernest Shonekan, chairman of the country's governing Interim Council, set out the blueprint in his budget in January, together with an appeal for debt relief. Few actions would do more to convince sceptical donors and creditors that he means business than allowing the World Bank to open the books on Nigeria. The governments that object the loudest to such scrutiny would be those with the most to hide.

One more talking shop

Hands up anyone who hasn't yet formed a pro-manufacturing industry lobby group in the last year of the 1980s, during which British business apparently forgot how to make anything except Japanese cars, manufacturing is firmly back on top of the agenda.

The CBI, finally bludgeoned into championing the makers of nuts and bolts after its love affair with the service sector, has its National Manufacturing Council, businessman David Turnbull has started the UK Industrial Group, and now a strange bunch of politicians is launching the Manufacturing and Construction Industries Alliance.

It's the brainwave of maverick Tory MP Nicholas Winterton. He's got Robin Cook, the Labour industry spokesman, GMB boss John Edmonds, the Lord Mayor of London and a bevy of industrialists from Rolls-Royce downwards on his side. Indeed, the only weakness is the presence of Winterton himself. Someone closer to the Tory mainstream might have been preferable.

Winterton and his chums can be rather full of themselves sometimes. Even so, the presence of veteran campaigner Des Wilson suggests that it will get its message heard. But why another organisation whose motto "Making

things happen" is no different from the CBI's "Making it in Britain"? It seems Winterton had initially tried to coddle up to the CBI without success. Nevertheless, all sides are being very polite and the CBI's Howard Davies has even sent a message of support.

Far East pioneer

When it comes to finding well-paid retirement jobs for ex-British ambassadors to Japan, demand seems to exceed supply, judging by the speed with which Sir John Whitehead has been picking up jobs lately.

However, it seems that there may also be an untapped demand for retired Japanese big-wigs. Shijuro Ogata, former deputy governor of the Japan Development Bank, is on Barclays' board, but there are precious few other examples.

Full marks then to Foreign & Colonial which has recruited Kazuo Chiba, Japan's man at the Court of St James until 1991, on to the board of its Far Eastern Flagship Foreign & Colonial Pacific Investment Trust. Chiba, with his impeccable English and his considerable cultural versatility, was a tremendous success in London.

F&C's Eric Eistob says he got the idea of recruiting Chiba after he "popped up this winter giving a seminar at the LSE in Far East international relations". The fact that Chiba will be sitting alongside

OBSERVER



Sir Hugh Cortazzi, Britain's man in Tokyo between 1980 and 1984, may have helped. Even so F&C seems to be living up to its pioneering reputation.

Nothing ventured

If anyone doubted Robert Drummond, chairman of the British Venture Capital Association, when he said back in January that one of the biggest challenges facing venture capitalists was raising new funds, they should have been watching the final episode of BBC's *Adventurers* series. The series, based on Drummond's own venture capital firm,

Grosvenor Venture Managers, revealed that Grosvenor set out in early 1992 to raise £50m. It was forced progressively to reduce its sights until, by the end of the series, it had gathered in only £7m. On top of this, the two young turks who joined the firm at the start of the series were both quitting.

Drummond may be using his impulse to do the programme, made by the same team which produced Sir John Harvey Jones' successful *Troubleshooter* series. But it would be a great pity if Drummond's experience deterred others from revealing warts and all on camera.

Troubled brew

Given the fanfare accompanying his arrival less than five years ago, the sudden decision by Interbrew boss Jose Dedeurwaerder to quit is mystifying.

He had been hired by the Belgian brewer of that "reassuringly expensive" lager Stella Artois, to consolidate the merger of privately-owned Piedboeuf and Artois, and to expand the company internationally. The simple explanation is that he has completed that job, and successfully. But some suspect he may have trodden on toes on the way — all too easy for the professional manager of a family-owned concern.

The vacancy will be filled temporarily by Jean-Marie Descarpentries, on the board for

two years and better known as the former boss of French packaging company Carmaud. He engineered the merger with Metal Box — and reduced his audience to glassy-eyed bemusement with a two-hour philosophical justification of it.

Golden debate

Bulls of the gold price may be an endangered species, but they were out in force at yesterday's opening of South Africa's Leendorn gold mine. Anton Rupert, doyen of South African industrialists, led the celebrations.

His belief in the yellow metal is no surprise given that his Rembrandt tobacco business has big stakes in Gold Fields. Still, his view that the world has too little gold is at least novel. "It is so scarce," he says, "that all the gold mined since Noah could be fitted into one luxury yacht such as that of King Fahd of Saudi Arabia." No doubt Rupert is talking from first-hand experience.

Paid out

The newly-minted Forum of Insurance Lawyers has an appropriate acronym — FOIL. Sounds just right for a bunch of briefs dedicated to advising insurance companies on how to combat fraud. If they're short of a motto, how about: "They shall not pay!"

Serbs close to seizing control of area targeted for US air-drop

Accuracy of relief flights disputed as US claims success for operation

By Laura Silber in Zvornik, Bosnia and agencies

SERB FORCES were yesterday close to seizing Cerska, the Moslem enclave in eastern Bosnia which United Nations officials said was the target for the first US air-drop.

Reports from Cerska said there was no evidence that any of the 21 tonnes of food and medicine dropped by US air force C-130 aircraft were recovered either by the 6,000 Moslems trapped in the area or by any of the other parties to the conflict.

However, Admiral James A. Lair said on board the aircraft carrier John F. Kennedy in the Adriatic that the operation had been monitored from the ship and had gone off "just like clock-work".

Asked for an indication of how

accurate the drops had been, Admiral Lair said: "You're not going to know until you have someone on the ground. We'll see, when people (in Cerska) start eating."

General Donald Loranger, US air force brigadier, told a news conference at the Rhein-Main air base in Germany it was difficult to say how accurate the drops had been but flight conditions were good. "I am hopeful and indeed confident that a number of people are better off than a few hours ago".

The US aircraft, unescorted to emphasise the humanitarian nature of their mission, flew over Bosnia at night with their lights out to minimise the risk of being shot at by any of the warring parties.

Sarajevo radio called the US operation "a parachute mystery".

in a broadcast more than 12 hours after the three C-130 aircraft had returned to Germany from the first US relief drop.

An amateur radio operator, Cerska's only link with the outside world, said an object which could have been an aid pallet had been spotted behind Serbian lines. He suggested that the US aircraft may have mistaken Moslem villages set alight during recent fighting for bonfires in the enclave.

A Serb, who cut in on the radio link, was asked if Serbs had received any supplies from the air. "Nothing, nothing. We don't need anything," he replied.

Serb fighters at the weekend seized several villages in the Moslem area. Artillery shells yesterday fell in the Drina valley.

The amateur radio operator said Serb fighters had set up

loudspeakers calling on Moslem forces to surrender. Western diplomats said the outgunned Bosnian government forces in Cerska are unlikely to hold out much longer.

Cerska, which has been without any outside relief for the last 11 months, is believed to be the most desperate of the Bosnian government strongholds in the area.

Just 10 miles away from Cerska, locals in Zvornik appeared puzzled by the air drop. "We have not seen or heard any aircraft overhead," said a Serb villager.

Stacks of UN humanitarian aid fill warehouses in Zvornik and its twin town on the other side of the river Drina, which marks the Bosnian frontier with Serbia.

UN talks open, Page 2

Spanish debate on jobless adds to pressure on González

By Peter Bruce in Madrid

THE SPANISH parliament is to hold an emergency debate on unemployment today. It will pit Mr Felipe González, the prime minister, against his increasingly confident conservative opponents. Mr José María Aznar, in what Spaniards assume will be the unofficial start to a long 1993 election campaign.

With polls showing Mr Aznar's Partido Popular rapidly gaining on Mr González's Socialists, unemployment at a record 21.06 per cent and business failures at historic highs today's debate promises to be one of the most acrimonious of the Socialists' decade in power.

Mr González has to hold an election by the end of November and is anxious to delay for as long as possible. As a first effort to put a brake on his party's declining popularity, he will

today put forward a Pta300bn (\$2.52bn) emergency economic package, agreed in cabinet last Friday.

It aims to accelerate infrastructure spending, ease small business taxes and to increase the statutory length of temporary job contracts to slow unemployment growth. Madrid hopes the European Community will fund 80 per cent of the package and thus limit its impact on the tight 1993 budget.

But this is the first time opponents like Mr Aznar and the leader of the communist Izquierda Unida, Mr Julio Anguita, find themselves approaching an election with the economy in recession.

These men believe they are about to end Socialist party dominance in Spain, and will demand that Mr González calls an early election.

He is unlikely to do them that

favour, but the pressures on the government are immense. Unemployment is likely to continue rising until the summer and with both business and the opposition calling for Spain to float the peseta, cut interest rates and increase spending, the currency might be in for a turbulent few months.

Industrial production figures published yesterday showing a 5.6 per cent fall in December 1992 against the same month in 1991, and a 1.7 per cent fall in overall output in 1992, are likely to sharpen calls that drastic action be taken to revive the economy.

Despite persistent rumours, however, it is most unlikely that the government would unilaterally take the peseta out of the exchange rate mechanism. Signs that German interest rates may soften soon will probably make it easier for the Spanish to cut rates as well.

Italian corruption scandal widens

By Robert Graham in Rome

A FORMER official of the Italian Communist party (PCI) was arrested yesterday by Milan magistrates on suspicion of operating a Swiss bank account to receive pay-offs from contracts in the power industry.

The arrest of Mr Primo Greganti, an official in the Turin branch of the PCI during 1970-87, is part of the widening national investigation into corruption in which a growing number of senior political and business leaders have been implicated.

Mr Greganti voluntarily appeared for questioning in Milan yesterday and was later arrested for alleged corruption and illicit financing of the party.

It is the first time Italian companies have been linked to alleged payments to the PCI made illicitly outside the country. Corruption in the power industry is one of the main lines of investigation now being pursued by Milan magistrates.

According to magistrates, Mr Greganti had been identified by Mr Lorenzo Panzavolta, the head of Calcestruzzi, the construction and cement arm of Ferruzzi, as the recipient of L620m (\$401,000) paid into a Swiss bank account for the PCI in respect of a contract with Enel, the state electricity authority.

This is not the first time the corruption scandals have involved the PCI, which has sought to present itself as clean. Mr Giovanni Battista Zoroli, the PCI representative on the board of Enel, has been arrested.

Milan magistrates also arrested and placed on bail yesterday Mr Arturo Romagnoli, a businessman and the brother of Mr Vincenzo Romagnoli, former owner of the construction company Cogefar. Mr Romagnoli was alleged to have been involved in corruption related to Milan municipal contracts.

In another development likely to prove embarrassing to the Christian Democrats, Mr Michele de Mita, the brother of former prime minister Ciriaco de Mita, currently head of the parliamentary institutional reform commission, was arrested on fraud charges. Mr Michele de Mita was alleged to have been part of a scheme which submitted fake invoices for potatoes supplied to earthquake victims in 1980.

Collapse of bribery edifice traps corporate Italy, Page 2

US may impose anti-dumping duties on steel by mid-June

By Andrew Hill in Brussels

THE US could impose definitive anti-dumping duties on imports of certain steel products as early as mid-June, according to US trade sources.

The sources warned it would be very difficult for the 19 countries involved - which include Japan, Canada and seven EC members - to derail the process set in motion under President George Bush's administration.

They also said legal and public scrutiny of the anti-dumping procedure would restrict President Bill Clinton's ability to amend the decision.

The dumping actions follow EC dumping duties imposed on eastern European steel exporters. They coincide with clashes over trade in cars and semiconductors,

EC subsidies for Airbus and barriers to US bidders for EC government contracts.

Exporters have also become worried at the proliferation of dumping actions as an instrument of first choice for recession-hit domestic industries.

One way of avoiding definitive dumping duties would be for Gatt members to forge a multilateral steel agreement, phasing out steel tariffs in return for elimination of most subsidies. The US government could then ask the US industry to drop its complaint against foreign producers.

It is also possible that US steel importers - which have already protested that the actions will raise steel prices - will press for compromises. Their lobbying power is expected to strengthen as shortages of various steel

products become acute in late April or early May.

When Mr Ron Brown, the US commerce secretary, announced provisional anti-dumping duties on certain products in January, he tried to defuse criticism by making clear that the move was not a "policy statement" but part of "mandatory procedure".

Since then 12 of the 84 original cases have been dropped, following examination by the US International Trade Commission. The US Commerce Department is expected to announce the level of definitive duties just before the FTC's public hearing on the case, which should take place on April 19 or 20. The FTC will vote on duties in late May, the sources said, and should submit its decision for formal approval around June 3.

Brazilian minister and bank governor quit

Continued from Page 1

Given Mr Franco's past interference in economic matters and his preference for policies such as price freezes, Mr Rezende is expected to have considerable difficulty attracting good economists to his team. He may not therefore be able to elaborate the

plan desired by Mr Franco as quickly as the president hopes and the markets fear.

Mr Haddad said he had resigned not because of his failure to reduce inflation but as a protest against political interference in the central bank. Mr Franco wants to leave the nomination of central bank directors

up to Congress. Mr Netto said yesterday: "How can anyone take us seriously when we are now on our eighth economy minister since the start of civilian government in 1985? Instead of the peace and caution we need, we are changing ministers quicker than the movement of lovers through a motel."

Some work resumes at NY's Trade Centre after blast

Continued from Page 1

hectic here," reported one weary employee. "We're in the process of trying to set up."

New York's futures exchanges, which share a single trading floor at Four World Trade Centre, managed to open for abbreviated sessions yesterday, and most are hoping for business as usual today.

However, the New York Mercantile Exchange, where most of the world's crude oil is priced, is again planning delayed openings and early closes.

The New York Commodity Exchange operated in a makeshift environment, but spirits were high on the trading floors. Ventilation difficulties in computer processing rooms contributed to the decision to shorten

the trading day yesterday.

The New York commodity exchanges provide the world's largest markets for crude oil, coffee, sugar and cotton and are important trading centres for precious metals such as gold and platinum. World prices for these commodities are set in New York, making it essential that trading time not be lost.

Meanwhile, early morning com-

muters to the WTC found transport running almost normally. The badly damaged station for the Port Authority Trans Hudson railway line was open, as were the various subway stations and lines into the complex.

New York state officials said that a \$5m programme had been set up to assist small and medium-sized businesses displaced as a result of the blast.

THE LEX COLUMN

Sterling takes a shine

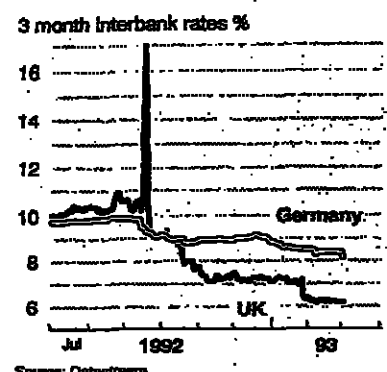
At last, things seem to be going more the chancellor's way. The Bundesbank has hinted at lower interest rates to come; UK inflation appears under control; after a further robust rise in M0 money supply, there is a whiff of recovery in the air which makes Mr Lamont's reluctance to cut rates that bit more credible. At least he should be spared a sterling crisis in the run up to the budget. A stable pound as well as a competitive exchange rate is needed to attract overseas buyers into the gilts market.

Sterling's 3.5 pence rise yesterday suggests the markets may be getting ahead of themselves. There is no guarantee that the Bundesbank will cut official rates that quickly. Long bond yields have fallen in Germany and there has been some good news on the wages front, but retail price inflation of 4.2 per cent, continuing high wage demands in the construction sector and the unresolved budget negotiations give pause for thought. The Bundesbank may confine itself for the time being to a further cut in the money market repurchase rate.

Mr Lamont has a balancing act to perform at home. While the recovery remains tentative, a tight budget would be difficult to sell in the absence of lower interest rates. Without some sign of fiscal discipline, the markets might come to doubt his ability to finance the PSBR. Since the government appears to be concerned about the exchange rate, it could certainly do with some timely accommodation from the Bundesbank.

FT-SE Index: 2382.6 (+14.6)

Interest rates



the cheap interruptible gas market have a future, and is it economically efficient for companies such as ICI to be supplied with gas at marginal prices?

Whether British Gas is dismembered or not, the most important factor for valuing the company is the rate of return earned on its pipelines. Here the gap between Ofgas's recommendations and British Gas's requests is still vast. Privatisation has produced several poorly thought-out structures. Now that gas is justifiably getting a second look, both customers and investors deserve more than yet another half-baked publicity stunt.

Repsol

British Gas

One begins to wonder why Sir James McKinnon is so determined to conduct the debate about the future of British Gas in public. Traditionally, participants respect the confidentiality of submissions to the Monopolies and Mergers Commission. But the director-general of Ofgas has aired his views in the manner of someone who suspects that the argument is not going his way. If Sir James is merely trying to apply extra pressure to ensure he triumphs, then he is playing with fire.

Besides, the latest Ofgas document does not adequately address many of the thorny issues raised by the break up of British Gas. Should the proposed regional marketing companies have a local monopoly, and, if not, who should assume the obligation to supply customers with gas? Will the government accept that low-usage domestic customers should pay more? Does

the timing of the Spanish government's international sale of up to \$1bn of Repsol shares has more to do with deteriorating public finances than choosing an opportune moment in the business cycle. Yesterday's full-year figures maintained the company's record of earnings growth, but refining, marketing and petrochemicals are all slowing. The extent of rationalisation suggests the government's current 54 per cent stake has not been too much of a restraint on management.

Since car ownership and the economy are forecast to grow faster than the European average, Spain ought to be comfortable home turf. Yet with its home market in recession and the government soon reduced to a minority, Repsol is understandably considering expansion abroad. BP and Elf have started to encroach on Spain. Exceptionally high refining and marketing margins cannot last forever. Deregulation of the local butane market will

produce wider margins in the short run. It also brings the long-term threat of competition.

Diversification could be achieved through asset swaps with other oil companies. Repsol might surrender a portion of its local refining share in return for a marketing toehold in France or the UK. If crude oil prices start to rise, it will be harder to resist the temptation to acquire more upstream assets to match downstream capacity. Either option carries a degree of risk. Repsol has proved itself in a protected domestic energy market. The risk is that it gets sucked into unwise expansion.

Airtours/Owners Abroad

The battle for Owners Abroad may turn out to be close, despite the increased offer from Airtours. A company used to driving hard bargains with its suppliers was unlikely to over-generous to Owners' shareholders. Still, an exit multiple of 11 looks thin. Airtours has a superior management record and its offer represents a large premium to Owners' pre-bid share price. But Owners has presented a good case for its proposed link-up with Thomas Cook. Airtours has failed to quantify equivalent benefits for Owners' investors, making the continued absence of a full cash alternative perplexing.

The failure to deliver a knock-out blow raises the possibility of Owners coming under foreign parentage. Germany's WestLB bank, which controls Thomas Cook, may seek to secure its investment or even launch an outright bid. That would be a highly unusual move. But Owners' shareholders should not rush to respond to Airtours just yet.

Tate & Lyle

All is not sweetness on Tate & Lyle's board as Mr Stephen Brown's abrupt departure as chief executive testifies. Mr Brown was only at the company for two years. As the architect of Tate's recent success, the chairman, Mr Neil Shaw, is well qualified to fill the breach. Nevertheless, the unhappy episode raises questions about the board's judgment.

This year is not a worry: Tate should show reasonable recovery following earlier disappointments. But Tate has yet to prove it has a longer-term growth recipe for its portfolio of mature businesses. A new chief executive would help find an answer.

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INSIDE

Viag to hold dividend despite fall in profits

Viag, the German energy-based conglomerate, is likely to maintain its dividend in spite of a 9 per cent fall in profits last year. The group said performance had been hit by the accelerating downturn in the second half. Net profits of DM370m (\$225.4m), on sales up 8 per cent at DM24.3bn, were eroded by falling income from the car-making and trading interests. Page 18

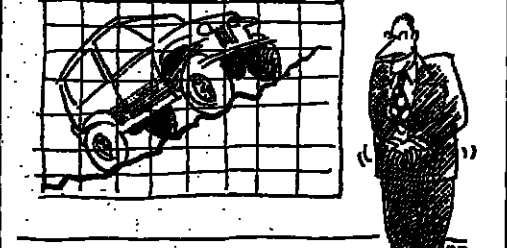
Support for Trafalgar issue

Trafalgar House is to proceed with its rights issue after winning support from small shareholders at yesterday's extraordinary meeting. Directors were visibly relieved that small shareholders, after criticising the management, voted overwhelmingly in favour of the engineering, construction and shipping group's four-2 rights issue at 60p a share. Page 22

Bomb fails to dampen equities

Even the bombing of the World Trade Centre on Friday could not prevent US equities posting a 2.2 per cent gain. However, Japan's 0.6 per cent fall was the main reason why the FT-1000 Japanese Index was limited to a 1.0 per cent gain in local currency terms. Back Page

High performance car traders



Share prices of the leading UK quoted motor trade groups have outperformed the market by up to 40 per cent over the past three months. This year sales of new cars are forecast to rise by about 7 per cent to 1.7m. However, few of the motor traders due to report 1992 results over the next few weeks will show a rebound in their figures. Page 23

Australian banks face shake-up

The possibility of a conservative victory in Australia's forthcoming federal election raises the prospect of a radical shake-up of the troubled banking sector. Mr John Hewson, leader of the opposition Liberal/National Party coalition, and Mr Peter Reith, the opposition's candidate for treasurer, have promised that bank merger proposals would be considered "on their merits". Page 19

Driving through farm reforms

David Richardson's drive from Norfolk to Austria provided him with a view of EC farm reform policy. Page 24

Thomson-CSF in missile link-up

Thomson-CSF, the French state-controlled defence electronics group, and Short Brothers, the Belfast aerospace subsidiary of Bombardier of Canada, have agreed to join forces to make very short-range ground-to-air missiles. The alliance sparked anger from Matra Défense, France's main private sector defence electronics group, against which the Thomson-CSF-Shorts joint venture will compete. Page 18

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Chief price changes yesterday

LONDON (Pence)		NEW YORK (Dollars)	
ASW	153 + 20	ASW	153 + 20
Astron	138 + 14	Astron	138 + 14
Beaufort	225 + 24	Beaufort	225 + 24
Brabant Resources	42 + 3	Brabant Resources	42 + 3
Casella Int'l	12 + 2	Casella Int'l	12 + 2
Comcast	436 + 13	Comcast	436 + 13
Coverly/Clerk	71 + 2	Coverly/Clerk	71 + 2
Endesa	154 + 1	Endesa	154 + 1
Fedex	90 + 5	Fedex	90 + 5
Gowling	22 + 5	Gowling	22 + 5
Grainline	77 + 5	Grainline	77 + 5
Holliday Chemical	95 + 4	Holliday Chemical	95 + 4
Iberdrola	61 + 4	Iberdrola	61 + 4
Inoco	57 + 4	Inoco	57 + 4
Julius Baer	414 + 10	Julius Baer	414 + 10
KHL	384 + 10	KHL	384 + 10
Klöckner-Werke	448 + 24	Klöckner-Werke	448 + 24
Unishall	56 + 10	Unishall	56 + 10
Lauritzen	512nd + 17	Lauritzen	512nd + 17
McLeod Russell	100 + 5	McLeod Russell	100 + 5
N Broken Hill	98 + 6	N Broken Hill	98 + 6

Klöckner-Werke unveils restructuring

By Quentin Peel in Bonn

KLOCKNER-WERKE, the German steel and engineering group, yesterday revealed its plan to restructure its steel operations and write off more than 50 per cent of their outstanding debts. It is the largest German company to sue for protection from its creditors under the composition procedure since AEG, the electrical equipment manufacturer, more than 10 years ago. It is also the first leading steelmaker to be forced to seek protection in the latest European steel crisis. The plan, an essential step in the company's bid to negotiate a debt-relief scheme with leading creditors, was presented to the local court in Duisburg, where Klöckner-Werke is based.

It proposes writing off DM1.4bn (\$940m) of the DM2.7bn owed by the company's steel subsidiaries, Klöckner Stahl and Klöckner Edelstahl. The rest of the group is not affected by the process. Creditors with their loans secured by property or other assets would receive 40 per cent payment, and other creditors 30 per cent, the company suggests. The restructuring involves the closure of one blast furnace at the Bremer Hütte steel plant in Bremen, reducing raw steel capacity by some 700,000 tonnes, and shedding up to 1,400 jobs.

The company is also negotiating with a group of investors, led by Mr Jürgen Grossmann, the former chief executive of Klöckner Edelstahl, to sell its plant at Georgsmarienhütte. A decision on that proposal is expected in the next two weeks, according to a company spokesman, although it depends on the success of the composition proceedings. The legal move by Klöckner-Werke, one step short of formal bankruptcy proceedings, was announced in December. The Duisburg judge will now seek expert opinion on the company plan from both the composition administrator, and from the Duisburg chamber of commerce and industry. The judge and administrator must then decide whether to summon a creditors' meeting, which must approve the plan with an 80 per cent vote if it is to succeed.

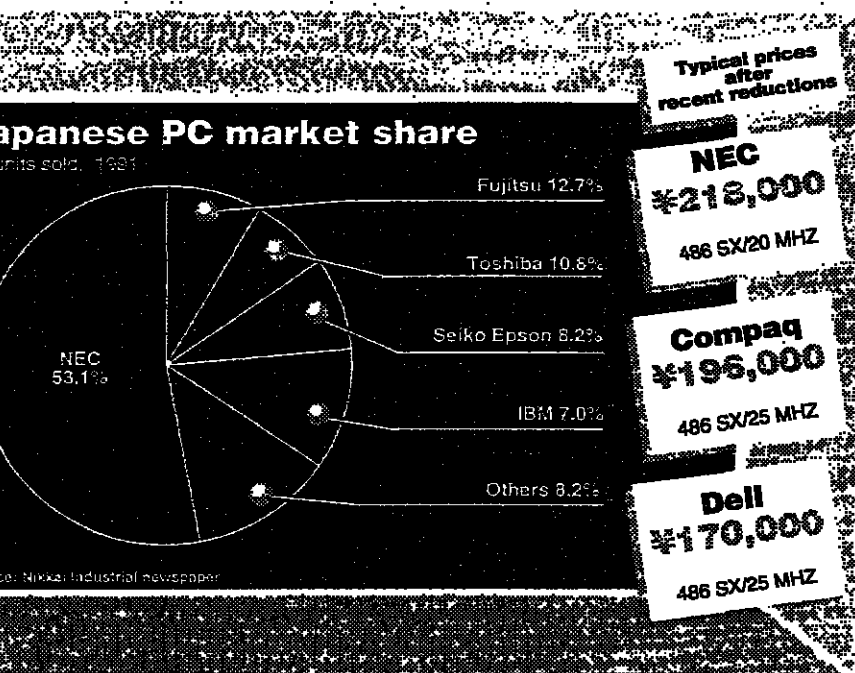
Deutsche Bank is the company's principal creditor, followed by WestLB, the state bank in North Rhine-Westphalia. Both are believed to support the move. The full meeting of creditors is not likely to be called before May or June, officials say.

Michio Nakamoto reports on a successful assault by American computer makers

US price warriors spark revolution in desktop Japan

As the Japanese economy began the year showing signs of a worsening slump, Dell Computer, the US company, announced its arrival in the second largest personal computer market in the world. Dell announced a low-priced desktop computer - a move that heralded a revolution in the Japanese PC market's pricing structure and distribution system. Dell's debut in Japan has added momentum to a concerted assault on the Japanese market by leading US manufacturers which has forced Japanese computer companies to rethink their strategies.

Shortly after Dell arrived in Japan, Toshiba announced its first low-cost notebook PC, bringing the price-cutting trend into the notebook market. The Japanese PC market has long been one that seemed to work according to its own rules. The difficulty of producing software which used the Japanese language had allowed a handful of domestic manufacturers, led by NEC, to carve up the PC market among the rest.



While the rest of the world was dominated by IBM-compatible machines, in Japan NEC ruled supreme with 53 per cent of the market, followed by Fujitsu with 13 per cent and Toshiba with 11 per cent, according to the Nikkei Industrial Newspaper. IBM had to contend itself with a meagre 7 per cent market share. Until recently as a few months ago, US PC manufacturers had made little impact on the minds of the Japanese PC-buying public, but a price war, triggered last autumn by Compaq, the US company, changed all that. On October 1, Compaq introduced a machine at half the price of comparable Japanese-made PCs. IBM immediately followed suit by introducing its own range of low-priced PCs.

This offensive sent a tremor through the Japanese PC industry. Most leading Japanese PC manufacturers, including NEC, the market leader, cut their prices within months. In return, Compaq reduced the price of some of its machines further and added a three-year guarantee. NEC's response has been mostly defiance. It insists that the outbreak of the price wars has had no effect on its business. "NEC will never compete in a price war," says Mr Katsunori Tomita, general manager of NEC's Personal Computers Marketing Division. Yet NEC felt threatened enough to use nationwide advertising to spell out that its own system could boast 14,500 software applications, 379 service points throughout the country and proven experience with Japanese language software.

The groundwork for the success of the price wars had been laid by IBM. In a bid to spread the use of its own PC/AT standard, IBM had set up an Open Architecture Developers' Group and invited foreign and domestic manufacturers to support DOS-V, a bilingual operating system that allows users to use the English language DOS, as well as more than 1,000 Japanese applications. Most of the leading manufacturers, apart from NEC and Apple, have joined the IBM-led consortium.

1,000 Japanese language software applications, cannot compete with NEC's 14,500 applications. The willingness of developers to write software for DOS-V depends on the penetration rate of hardware, which in turn depends on the number of software programmes available. For the huge installed base of NEC users, there is little incentive, apart from price, to switch to DOS-V. But NEC has already closed the price gap by introducing a low-priced range of its own. "NEC already has a huge installed base. Why would those people want to give up the security of using something they are already familiar with?" asks Mr Katsunori Shiga, industry analyst at Dataquest, the high technology consultancy. There is also some question as to how far price alone can woo Japanese consumers away from domestic manufacturers. Many in the industry believe that in spite of the attraction of lower prices, discount superstore and tele-marketing sales will not take off as strongly in Japan as in the US and Europe. Japanese consumers, they say, would rather pay for having equipment installed and serviced than having to do it themselves. "There isn't much of a do-it-yourself culture in Japan," admits IBM's Mr Maruyama. "Japanese people don't have that kind of time."

Repsol profits increase 1.8% ahead of further privatisation

By Peter Bruce in Madrid

REPSOL, the Spanish oil and gas conglomerate being prepared for further partial privatisation by the Spanish government, yesterday reported a 1.8 per cent increase in net profits for 1992, to Pta7.43bn (\$607m) in spite of a sharp drop in cashflow. Repsol said it was delighted with the results, "particularly if one compares them with the rest of the sector". Operating profits fell nearly Pta10bn to Pta119.8bn while cash flow, after tax, fell 10.4 per cent to Pta154.06bn.

The Spanish government is planning to place up to 40m shares in Repsol - roughly 13.3 per cent of the group - with institutions in the Spanish and international markets before the end of May. The flotation could raise close to \$1bn and, if fully used, will reduce the state's holding from 54.5 per cent to just over 40 per cent. Repsol said it had managed to squeeze the most out of a difficult year thanks to good returns on some recent investments and the impact of a tough cost reduction programme. The group had shed nearly 2,000 jobs over the year, reducing the workforce to 15,822 people. It posted a 77 per cent increase in operating profits to Pta18.6bn in its exploration and production division thanks, it said, to exploration successes and to a 20 per cent increase in crude production.

Repsol's gas division also reported a healthy 51 per cent increase in operating income, to Pta23.6bn. This was due mainly to better margins in traditional butane and propane markets, and to the fact that the group's interests in domestic gas supply are rapidly spreading. As expected, however, Repsol's troubled chemicals division continued to suffer along with the rest of the international chemicals industry, losing Pta7.9bn after making a meagre operating profit of Pta1.2bn in 1991. The Repsol refining and marketing division saw operating income fall more than 16 per cent to Pta8.6bn. This was partly because of new accounting rules, partly because it is having to shed service stations belonging to the Campsa group under EC monopoly rules and lastly, because of tighter margins for refined products in international markets. Lex, Page 16

Owners rejects Airtours' final bid

By Richard Gourlay in London

OWNERS Abroad yesterday rejected a raised final hostile offer from rival holiday group, Airtours, which values the company at £268m (\$380m). Mr Howard Klein, the Owners Abroad chairman, who was offered an increased cash alternative by Airtours last week, said the new offer still undervalued his company. "The board believes the strategic alliance with Thomas Cook and LTU will deliver far greater value to shareholders than Airtours' final offer," said Mr Klein. Thomas Cook and German travel company LTU are run by Westdeutsche Landesbank, the German state bank, which hopes to create a pan-European holiday group with Owners Abroad.

The immediate reaction of some Owners Abroad shareholders was that Airtours' new offer was not over-generous. Airtours' increased all-share offer includes 15 Airtours shares for every 34 ordinary Owners shares. With Airtours shares up 3p at 389p last night, this offer values Owners' shares at 186p, 2p above Owners' closing price. Airtours also increased, and made final, its preference share offer, in which it will give 218 convertible preference shares for every 100 Owners Abroad convertible cumulative redeemable preference shares. The company did not increase its partial cash alternatives. These are £67.94 and 19.41 Airtours ordinary shares for every 100 Owners Abroad shares, and £122.08 in cash and 95.92 Airtours convertibles for every 100 Owners Abroad convertible shares.

Mr David Crossland said the final offer was fair both to shareholders in Airtours and Owners Abroad, who had never before seen a price that high. He said Airtours bookings continued to gain momentum and its market share continued to be ahead of Owners Abroad's. Airtours is currently the number three in the holiday tour market behind Owners Abroad, both of which are less than half the size of market leader, Thomson. Airtours also forecast a 1993 dividend of not less than 8.7p, a 20 per cent increase over the 1992 dividend. Airtours offer is final, unless a "competitive situation arises" from another bidder. Lex, Page 15

Nokia halves losses to FM158m

By Christopher Brown-Humes

NOKIA, Finland's leading electronics and communications group, cut pre-tax losses to FM158m (\$26.53m) last year from FM324m in 1991 as sales rose 18 per cent to FM18.2bn from FM15.5bn. The group would have made a profit but for the performance of its consumer electronics division, where operating losses deepened sharply to FM783m because of worse than anticipated conditions in the European market. However, profits rose substantially within telecommunications and mobile phones and the group is confident of further progress this year. Nokia was heartened by the trend in the final four months when operating profits amounted to FM440m compared with a FM71m loss in the same 1991 period. That enabled the group to record an operating profit of FM288m for the whole year after 1991's FM96m loss. A further increase in operating profit is predicted for 1993, although the group is wary about forecasting an overall return to the black because of continuing currency turbulence. Nokia is planning additional rationalisation within consumer electronics this year to cut costs by at least a further FM200m. It is also looking to form alliances within the tubes and home electronics sectors. "The difficult situation in the market place means internal measures alone are not enough," said Mr Jorma Ollila, president and chief executive. Sales at Nokia Telecommunications rose 73 per cent to FM3.21bn last year and operating profit amounted to FM427m. Mobile phones recorded a FM437m operating profit on a 45 per cent increase in sales to FM3.64bn. Consumer electronics saw a 9 per cent rise in sales to FM5.76bn. It is the first time the group has broken out operating profit figures for its individual divisions. The group loss after extraordinary items rose to FM723m from FM211m. The group made a FM332m profit on the sale of its shareholdings in the European soft tissue maker Jamont and a Finnish power company, but it is taking a FM342m provision to cover the costs of further rationalisation within consumer electronics this year. The FM2.00 per share dividend is maintained.

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Source: Micropal, offer to bid, 11.4.88 to 22.2.93, net income reinvested.
"no income reinvested, all periods to 22.2.93," as at 9.2.93.
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INTERNATIONAL COMPANIES AND FINANCE

Viag to hold payout despite fall

By Christopher Parkes
in Frankfurt

VIAG, the German energy-based conglomerate, is likely to maintain its dividend despite a 9 per cent fall in profits last year.

The group, which last summer forecast higher earnings and its ninth consecutive payout increase, said yesterday that performance had been hit by the accelerating downturn in the second half.

There were no real signs of improvement in the German economy, although the company said it expected the worst to be over in some business areas in the second half of the current year.

Cost-cutting programmes and structural adjustments

would continue, it added. Numbers employed rose 14 per cent to 84,300 during the year as a result of consolidating recent acquisitions, although on a like-for-like basis the workforce was cut by 3 per cent.

Net profits of DM370m (\$225.4m), on sales up 3 per cent at DM24.3bn, were eroded by falling income from the can-making and trading interests. Results from the glass business, grouped under the Gerresheimer subsidiary, were "heavily burdened" by over-capacity and import competition.

The rise in group turnover was largely attributable to the inclusion for the first time of sales from Viag's one-third stake in the Kühne & Nagel shipping and freight concern. Profits from chemicals, the

group's third-largest sector after energy and aluminium, "improved significantly", while sales fell from DM1.9bn to DM1.5bn.

Increased earnings were attributed to good demand for special products for the building industry and structural changes in the metallurgy business.

Restructuring also helped improve results in fire protection, where sales were virtually unchanged at DM1.4bn.

Deliveries of electricity and natural gas from the energy subsidiaries, which contributed

DM3.5bn to group sales compared with DM3.2bn last time, were unchanged and earnings remained at the high level of the previous year.

Earnings from aluminium were also unchanged despite the impact on prices of shipments from the former Soviet Union.

Viag, which has expanded rapidly since it was privatised in 1985, appeared last year to slow its acquisition programme and focus more sharply on consolidating its interests.

The group spent less than DM600m on acquisitions last year, compared with DM2.3bn in 1991. However, the creation of a new division, transport and logistics, to house the Kühne & Nagel business suggests it has further ambitions in this area.

Capital investment rose 11 per cent to DM1.9bn last year, as the company completed a primary aluminium plant in Canada and its new drinks can works in Saxony-Anhalt.

Unibank chairman to quit as losses soar

By Hilary Barnes
in Copenhagen

UNIBANK, the Danish bank, yesterday reported a 1992 loss of DKK4.86bn (\$737m), compared with losses of DKK1.65bn in 1991. This is the biggest loss ever reported by a Danish bank.

Mr Hugo Schroder, chairman of the supervisory board, will resign at the bank's annual meeting in April as a consequence of the highly unsatisfactory result for the bank in 1992.

The company will not pay a dividend for the second consecutive year.

The capital adequacy ratio at the end of the year was 11.6 per cent on a balance sheet which was slimmer from DKK24.63bn to DKK22.1bn. Equity capital declined from DKK15.4bn to DKK10.7bn while the total capital base was unchanged at DKK20.6bn.

Mr Thorleif Krarup, chief executive, said the bank did not expect to need new capital in 1993. He forecast a reduced loss and a moderate further reduction in the balance sheet for the current year.

He said that on an unchanged balance sheet total equity capital would need replenishing if the bank losses much more than DKK3bn in 1993.

The 1992 loss was caused by large provisions of DKK4.36bn, up from DKK3.4bn in 1991, and a loss on the value adjustment of the securities portfolio of DKK492m compared with gain of DKK1.15bn in 1991. A loss of DKK656m, up from DKK487m in 1991, by the bank's London subsidiary, Unidank Holding, contributed to the group's loss.

The losses in London have arisen almost entirely as a result of property engagements. The bank's forecast of a reduced loss in 1993 assumes unchanged interest rates and share prices (which fell by 25 per cent last year), continued slack demand for credit and high bad loss provisions.

Spanish electrical utilities' results hit by devaluations

By Tom Burns in Madrid

SPAIN'S second-tier electrical utilities reported lowered results yesterday, reflecting the impact of two devaluations of the peseta in the final quarter of last year.

Union Fenosa raised its group profits by just 1.7 per cent to Ptas19bn (\$161m) despite raising its sales by 6.5 per cent to Ptas30bn, Sevilla, which raised its sales by 6.6 per cent to Ptas24bn, dropped its consolidated income by 3.3 per cent to Ptas12.7bn, and Fecsa, which posted a 3.7 per cent fall in sales to Ptas208.6bn, registered

an 8.5 per cent fall in profits to Ptas15.4bn.

They were penalised by the peseta devaluations of 5 per cent and then of 6 per cent in September and November respectively last year. Union Fenosa holds 88 per cent of its debt in foreign currencies and the proportion at Sevilla and Fecsa is 27 per cent and 25 per cent respectively.

Earlier, Iberdrola, the Spanish electricity producer, posted a 7.5 per cent drop in pre-tax profits to Ptas75.5bn. The company, which has 31 per cent of its debt in foreign currencies, borrowed strongly in dollars

and yen and it registered a year-on-year Ptas50bn increase of its global debt at the end of last December.

In contrast, Endesa, Iberdrola's state-owned rival which has only 14 per cent of its debt in non-peseta denominations, posted net income of Ptas106.2bn, a 13.6 per cent increase on 1991, and raised its dividend by the same percentage to Ptas408 per share.

Endesa's profits were in line with those of previous years and could fuel plans by INI, the state industrial holding, to place part of the 76 per cent stake it holds in the utility.

Thomson-CSF, Shorts in missile deal

By William Dawkins in Paris

THOMSON-CSF, the French state-controlled defence electronics group, and Short Brothers, the Belfast aerospace subsidiary of Bombardier of Canada, yesterday agreed to join forces to make very short-range ground-to-air missiles.

This is the latest in a series of alliances by French defence contractors, but sparked anger from Matra Défense, France's main private sector defence electronics group, against which the Thomson-CSF-Shorts joint venture will compete.

Normally, the French defence industry avoids competing against itself, on national interest grounds.

Thomson-CSF and Short Brothers will have an equal share in the venture, to be

called Shorts Missile Systems in the UK and Thomson Shorts Systèmes in France. It will have a FFribn (\$179m) annual turnover, representing one-fifth of the world market for this type of weapon, with a top range of 3km. The Slinger, developed by General Dynamics, is the market leader, followed by the Mistral, made by Matra, with third place taken by Shorts' Javelin and Starburst.

Thomson-CSF denied the venture would compete directly with Matra. The Mistral used an infra-red guidance system which made it suitable for use against heat-emitting targets such as jet fighters, while Shorts' missiles were laser guided, and so more suitable for cooler targets such as helicopters, said a Thomson-CSF official.

Shorts will make the missiles, while Thomson-CSF will produce the electronics and guidance systems. French group has used the same arrangement on its two other missile joint ventures, with Aerospatiale and Alenia, the French and Italian aerospace groups in medium range missiles, and with LTV, the US industrial group, in short range weapons.

Thomson-CSF's strategy is to concentrate on electronics said a spokeswoman.

Aérospatiale might buy a minority stake in this latest joint venture, although Shorts would in any event remain with a 50 per cent share. Shorts makes most of its own missile electronics and relies on a range of subcontractors for the rest, said a spokesman for the UK group.

Chief executive leaves Tate & Lyle

By Maggie Urry in London

MR Stephen Brown yesterday left Tate & Lyle, the UK sugar and sweeteners group where he was chief executive. Mr Brown joined the company only in April 1991 as group managing director. He became chief executive last April when Mr Neil Shaw split the roles of chairman and chief executive.

Tate also announced a number of board changes. The shares fell 3p to 434p.

Analysts said Mr Brown's sudden departure was embarrassing for Tate and for Mr Shaw personally, and raised questions about management succession at Tate.

Mr Brown's original appointment had suggested Tate could not find a successor to Mr Shaw internally. Mr "Red" Wilson, who had run the group's North American businesses and had been seen as a possi-

ble successor, left in 1989, although he remains a non-executive director.

Mr Shaw said he planned to stay for at least two years and there would then be "a lot of candidates" to succeed him.

He said there had been differences over management style and Mr Brown "didn't fit in". There had been "no big scene" but both sides agreed that it "wasn't working".
Lex, Page 16

Teksid joins Alcan in US joint venture

By Haig Simonian in Milan

TEKSID, the metallurgical products subsidiary of Italy's Fiat group, and Canada's Alcan Aluminium company are forming a US joint venture for the automotive industry.

The new company, Altek Automotive Castings, will be based in Detroit and will include Alcan's automotive castings plant in St Catharines, Ontario. The joint venture excludes Teksid's aluminium facility in Tennessee, which has already established a strong position selling aluminium products to the big three US car producers.

The joint venture will aim to develop and manufacture cast and composite aluminium components for the car industry.

Alcan is one of the world's largest aluminium producers, while Teksid is a leading foundry group specialising in products for the automotive industry. Group sales amounted to L1,160bn (\$730m) last year. The joint venture will focus on the North American market. Altek's initial activity will involve making cast lower control arms for Ford's new Lincoln Continental model.

COMPANY NEWS IN BRIEF

AHLSTROM, the Finnish forestry and machinery group, saw pre-tax losses fall to FM36m (\$6m) last year from FM191m in 1991, writes Christopher Brown-Humes.

The improvement came as sales grew 23.5 per cent to FM10.15bn and the operating margin rose to FM1.02bn from FM0.6m.

Ahlstrom said its machinery division booked a record number of new orders in 1992, with business particularly strong in North America.

● The Julius Baer Swiss private banking group is looking for double-digit profit growth again in 1993, Mr Hans Baer, the chief executive, said yesterday, writes Ian Rodger in Zurich.

The group's net profit jumped 15 per cent last year to SF86m (\$44.56m), driven mainly by a 27 per cent rise in commissions from asset and portfolio management.

Business growth was particularly strong outside Switzerland, and the group revealed that 35 per cent of its profits came from outside the country, up from 28 per cent in 1991. Funds under management rose 11 per cent to SF33bn.

● Consolidated pre-tax profits at Tabacalera, the state-owned Spanish tobacco monopoly, are understood to have fallen by

more than 13 per cent to Ptas18.9bn (\$161m) last year, despite a small 3.5 per cent pre-tax profit increase, to Ptas20bn, at the parent company itself, writes Peter Bruce in Madrid.

The group figures are understood to have been hit by poor results from the Philip Morris operation in Spain, in which Tabacalera has a 50 per cent stake, and by the incorporation of Elosua, the loss-making edible oils group, of which Tabacalera took control last year.

Unofficial figures have Tabacalera's 1992 group sales 7.6 per cent up at Ptas700.4bn. The group is a potential candidate for some form of privatisation later this year, and is also on the verge of selling its Royal Brands foods subsidiary.

● Group pre-tax profits at Viscofan, the fast-growing Spanish sausage producer, fell 72 per cent last year to Ptas1.01bn following big redundancy charges at its German subsidiary, Naturin, and enforced provisions to cover foreign currency debt after two peseta devaluations last year.

● Folketrygdfondet, Norway's national insurance scheme fund, one of the biggest institutional investors in the domestic securities market, yesterday reported an increase in unrealised losses on its share portfolio to NKR588m (\$83.97m), from

NKR158m in 1991, writes Karen Fossli in Oslo.

Last year, the fund was granted permission by authorities to increase investments in securities to 15 per cent of total assets from 10 per cent. Total assets at the end of last year rose to NKR66.75bn from NKR60.66bn in the same period a year earlier. The fund was also allowed to invest up to NKR5bn in state bonds and commercial paper.

● Z-Länderbank Bank Austria, Austria's largest bank, has denied charges in two magazines that it laundered money for two east Berlin firms, Novum and Transcarbon, between 1989 and last year, writes Ian Rodger.

According to Profil, an Austrian weekly magazine, and Der Spiegel, a German magazine, more than Sch3bn (\$259m) in commissions on orders was shifted between Bank Austria in Vienna and its Swiss subsidiary in Zurich.

"It is absolutely untrue that we have had anything to do with laundering," Mr Rene Alfons Halden, chief executive, said. The bank said investigations so far showed that the bank had respected all laws and regulations. The transactions were undertaken by authorised people on legitimate accounts that have existed for years, the bank said.

February, 1993

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Floating Rate Notes 1997

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 26th February, 1993 to 26th May, 1993 the Notes will bear interest at the rate of 6 1/2 per cent. per annum.

Coupon No. 31 will therefore be payable on 26th May, 1993 at £79.61 per coupon from Notes of £50,000 nominal and £79.46 per coupon from Notes of £5,000 nominal.

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26TH FEBRUARY, 1993 TO 26TH MAY, 1993

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 6 1/2 per cent. per annum and that the interest payable on the relevant interest payment date, 26th May, 1993 against Coupon No.22 will be £158.94 from Notes of £10,000 nominal and £15.89 from Notes of £1,000 nominal.

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The rate of interest for the three month period 26th February, 1993 to 26th May, 1993 has been fixed at 6.60 per cent. per annum.
Coupon No. 20 will therefore be payable on 26th May, 1993 at £109.32 per coupon.

Aggregate interest changing balances of Mortgages redeemed during the previous Interest Period: £4,989,588.40

Aggregate interest changing balances of Mortgages redeemed as at 26th February, 1993: £205,599,485.17

The aggregate principal amount of Notes outstanding as at 26th February, 1993: £105,100,000

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Agent Bank

To the holders of

Mortgage Capital Trust I

Collateralized Mortgage Obligations, Series A
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By: Bankers Trust Company, as Trustee.

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PhilippinesUS\$5,313,000 Series 1992 A
Floating rate bonds 2010

The A Bonds will bear interest at 4.125% per annum for the period 1 March 1993 to 1 September 1993. Interest payable on 1 September 1993 per US\$1,000 note will amount to US\$21.08.

Agent: Morgan Guaranty
Trust Company

JPMorgan

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Euro-Medium Term NotesSERIES NO.12
FFC725,000,000 Inverse

floating rate notes 1996

TRANCHE NO.1

Notice is hereby given that for the interest period 1 March 1993 to 1 June 1993 the notes will bear interest at 11 1/2 per cent. per annum.

Agent: Morgan Guaranty
Trust Company

JPMorgan

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CONTRACTS & TENDERS

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
INTERNATIONAL COMPETITIVE BIDDING
BIDDING NOTICE NO 849-003/92

PETRÓLEO BRASILEIRO - PETROBRAS, has received a loan in various currencies equivalent to US\$ 260 million from the World Bank, and intends to apply a portion of the proceeds of this loan to the purchase of material and equipment for the construction, in Brazil, of the Paraná-Santa Catarina and Recôncavo-South of Bahia Pipelines.

This Bidding will be made under the guidelines of the World Bank and its purpose is the purchase of the following pipeline pumps in accordance with API-610 standard:

Boosters:

a) 10 (ten) horizontal or can type vertical centrifugal pumps for light products and LPG, capacities from 140 to 385 m3/h, driven by induction electrical motors with an estimated power ranging from 34 to 96 kW.

Main pumps:

b) 13 (thirteen) horizontal pumps, serial operation, double seals, axial split casing, for light products and LPG, capacities from 140 to 385 m3/h driven by induction electrical motors with an estimated power ranging from 240 to 340 kW.

Bids will be received until 05/05/1993 at 3:00 PM.

Interested BIDDERS, from eligible countries members of the World Bank, Switzerland and Taiwan, China who have manufactured, at least (two) 2 of each one of the items with characteristics similar to those described above, besides complying with the other requirements provided in the Bidding Documents may obtain these Bidding Documents through the presentation of a bank deposit slip in the amount of a non-refundable fee of US\$ 300.00 (three hundred dollars), to be made at Banco do Brasil S.A. - Agencia Centro - Rio de Janeiro (code 0011-9) current account no. 337.100-8 in the name of PETROBRAS/ADM. CENTRAL, or contact us at no expense at the following address:

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
SERVIÇO DE MATERIAL - SERMAT
Av. República do Chile No. 65, 6th floor - room 662
CEP: 20035-900 - Rio de Janeiro - RJ - Brazil
Phone: (021) 534-1731 or 534-1745
FAX: (021) 534-3838 or 534-1745
Ref: EDITAL No. 849-003/92
Attn.: Coordenador da Comissão de Licitação

PETRÓLEO BRASILEIRO S.A. - PETROBRAS
INTERNATIONAL COMPETITIVE BIDDING
CHANGE NOTICE OF BIDDING NOTICES NO. 874.005/82

SCOPE: Purchase of horizontal and vertical centrifugal pumps and rotary pumps, for the construction of a hydrotreatment Process unit at Presidente Bernardes Refinery in Cubatão/Sp Brazil.

CHANGE IN THE FINANCIAL CAPABILITY OF THE BIDDER AND THE DEADLINE FOR SUBMISSION OF BIDS.

PETROBRAS informs that modified the text of the item 14.2.2 to:

1 - "To have net Worth, on the date of submission of the bid, of at least 10% (ten per cent) of bid value, however not less than US\$ 400,000.00 (four hundred thousand dollars)."

2 - In addition the deadline for submission of bids has been postponed to April 19, 1993, the address, time and procedures established in the Bidding Notices will remain unaltered

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هكذا من العمل

FRANCE
WORLD

INTERNATIONAL COMPANIES AND FINANCE

Teva 36% ahead on back of US sales surge

By Hugh Carnegie in Jerusalem

TEVA, Israel's leading pharmaceutical manufacturer, reported net profits up 36 per cent to Shk2.7m (\$3.7m) in 1992, due mainly to a surge in US sales which carried over several years, rose by more than 30 per cent to account for some 35 per cent of total group sales of Shk1.09bn, which in turn were up by 23 per cent. Total overseas sales reached Shk560m, reflecting Teva's strategy of growing beyond the limited local market and establishing itself as one of Israel's leading technology-based exporters.

The company said Teva's concentration on generic and prescription drugs through its own manufacturing and through Lemmon, its US subsidiary, had enabled it to sustain strong overseas growth despite the generally weak economic background throughout much of the year. Teva, which is listed on Nasdaq in the US, has put much of its effort abroad into the more homogeneous US market. But it said it was now seeking to expand in Europe, which at present accounts for 10 per cent of sales. It has acquired companies in Italy and Germany, and says it is looking for further acquisitions to extend its penetration in Europe.

The inflation-adjusted results showed earnings per ordinary share at Shk2.34, up from Shk2.74 in 1991. Green Cross, a Japanese pharmaceutical and blood products concern, posted a 59 per cent fall in consolidated net profits to Y1.24bn (\$10.5m) from Y2.97bn for the year to December. AP-DJ reports from Tokyo.

Sales rose 4.9 per cent to Y106.6bn from Y101.56bn, while pre-tax profits fell 15 per cent to Y5.3bn from Y6.3bn. Earnings per share fell 58 per cent to Y5.99 from Y14.35.

NEC predicts pre-tax loss of Y40bn as demand slows

By Michio Nakamoto in Tokyo

NEC, the Japanese electronics group, revised downwards its results forecast for the year to March and expects to see a Y40bn (\$344m) pre-tax loss for the group on a consolidated basis. The revision comes after NEC announced in October a pre-tax profit forecast of Y10bn. It reflects an unexpectedly depressed market for electronic products worldwide in the first three months of this year, the company said.

NEC now forecasts consolidated sales of Y3,820bn, compared with a previous forecast of Y3,780bn. A pre-tax loss of Y40bn compares with a profit

of Y51.4bn in the year to March 1992. For the parent company, NEC expects a 5 per cent drop in sales to Y2,900bn and a pre-tax profit of Y18bn, which represents a 77 per cent decline from the previous Y40bn. The company blamed the unexpectedly severe slowdown in domestic demand, particularly for electronic devices, for the revision of its results forecast. When NEC made its profit forecast in October, it had been expecting a customary seasonal rush of orders in the January to March period from corporations buying to use up their procurement budget. This year, however, that buying spree failed to materialise.

NEC has, like many Japanese semiconductor companies,

been hurt by a severely depressed market for memory chips and by weak prices, which lasted until the fourth quarter of last year. In 1992, NEC lost its position as the world's largest semiconductor manufacturer to Intel of the US, according to Dataquest, the market research group. In its computer business, the company faces growing competition from US manufacturers in its home market where it has a 53 per cent market share. For the fiscal year beginning in April, however, NEC expects overall revenues to increase by 4 to 5 per cent as the Japanese government's economic stimulus package and the recovery in the US market help to lift trading activity.

Robotics chief warns of tough 12 months

By Andrew Baxter

EUROPE'S \$500m robotics market is facing a tough year in 1993 because of the recession in Germany and reduced investment by the automotive sector, said Mr Bruce Potts, executive vice-president of Fanuc Robotics Europe. But the market was likely to bounce back next year because of strong underlying demand for robots by European manufacturers keen to improve their productivity, he said. Mr Potts was speaking in Coventry at the unveiling by Fanuc Robotics, the world's largest robot producer, of its new series of robot control systems.

The controller is a key plank in Fanuc's strategy to broaden the use of robots in non-automotive markets; in Europe, for example, about 60 per cent of the installed base of 50,000 to 60,000 robots is used by the motor industry. It is also an important element in Fanuc's strategy to become the market leader in Europe, where, said Mr Potts, it runs a "solid second" behind ABB Robotics.

In the past two years, the European robotics market has been relatively more resilient than other sectors of mechanical engineering.

Last year, the market was flat, with weakness in some countries offset by the effects of reunification in Germany, which accounts for about half the total market, and by carmakers' spending.

This year, said Mr Potts, the North American robot market will come out of recession and will be the best-performing of the major markets. The European market could fall from last year, but would still perform better than the recession-bound Japanese market. Fanuc believes the new controller will have the same effect on the robot market as the "graphical user interface" had on personal computers by making the robot easier to understand for users in areas such as welding, mechanical handling and painting.

Wine export growth steadies SA Brewing earnings at midway

By Kevin Brown in Sydney

SA BREWING, the Australian food and industrial group, yesterday reported a 1.1 per cent increase in interim net profit to A\$57.15m (US\$39.72m) for the six months to the end of December.

The group said strong appliance sales, higher wine exports and lower interest costs offset poor results from beer and packaging operations. Sales increased by 7.3 per cent to A\$1.12bn.

Mr Ross Wilson, managing director, said the outlook for the second half "looks reasonably favourable". Mr Wilson said wine exports were growing strongly. He forecast a significant increase in profits from the US following the rationalisation of the recently-acquired Mor-Flo water heater business.

The group's packaging margins came under pressure in the first half following the loss of a contract to supply cartons to Carlsberg and United Breweries, a subsidiary of Foster's Brewing Group.

The loss of the contract was reflected in the beverage and food division's reduced earnings before tax and interest, which fell to A\$36.8m, compared to A\$43.8m in the comparable period of the previous year.

The group said the lower contribution also reflected a fall of 6.3 per cent in the core South Australian beer market during the period, compared with a decline of 4.7 per cent in the national market.

SA Brewing said the contribution from the packaging division fell to A\$48.6m from A\$49.5m before tax and interest costs. The appliance division contributed A\$39.8m, compared with A\$39.8m.

Mr Wilson said the group's balance sheet was strong, and confirmed that the board had considered a number of potential acquisitions.

The directors declared an unchanged dividend of 7.75 cents a share, fully franked.

SA Brewing shares closed 4 cents higher at A\$3.43 on the Australian Stock Exchange.

Safren 18% lower in poor trading conditions

By Philip Gawith in Johannesburg

SAFREN, the South African shipping, leisure and freight handling group, recorded an 18 per cent drop in attributable earnings for the six months to the end of December as deteriorating trading conditions affected all its divisions.

Turnover rose marginally to R2.37bn (\$764m) from R2.31bn during the same period in 1991, but operating profit was 1 per cent lower at R334.6m compared with R337.8m. A sharp rise, however, in net interest paid - to R24.2m from R1m - and a decline in the share of associated companies' profits, which fell to R36.7m from R63.4m, caused attributable earnings to fall to R108.4m from R135.3m.

The interim dividend is being maintained at 65 cents per share despite earnings per share falling by 18.6 per cent to 202 cents from 248 cents.

Increased competition and the recession, both in South Africa and abroad, caused Safmarine, the shipping and transport subsidiary, to experience declining cargo volumes and reduced freight rates in its liner and bulk trades.

Increased depreciation and interest arising from large investments in new ships and containers also affected adversely. Safair, the freight carrier, suffered from the resurgence of hostilities in Angola, while Filistar, the domestic airline, incurred substantial losses owing to overcapacity and predatory pricing on domestic routes.

Profits at Kersaf, the leisure and entertainment arm, were lower due to difficult trading conditions, aggravated by construction work at its main resorts and competition from unregulated casinos. Rannies, the freight handling group, benefited from its participation in a drought relief scheme in the region and lifted profits.

Safmarine, Rannies and Kersaf respectively contributed 22 per cent, 21 per cent and 56 per cent to Safren's attributable profit.

Comalco returns to the black

By Kevin Brown

COMALCO, the Australian aluminium manufacturer, yesterday reported net profits of A\$42.5m (US\$29.54m) after abnormal items for the year to December, compared with losses of A\$72.2m in the previous year.

However, net profits before abnormal items increased by a more modest A\$18m to A\$39.6m, largely as a result of a lower tax bill. The group warned that it expected "difficult" conditions to continue in the current year.

Comalco said the bottom-line result included an abnormal profit of A\$2.9m following a detailed review of asset values.

The 1991 result included an abnormal loss of A\$93.7m caused by a A\$200m provision against asset values offset by a transfer of A\$106.3m from the group superannuation fund.

Mr Nick Stamp, chief executive, said sales volumes had been reduced by difficult trading conditions. However, the impact was offset by a more competitive exchange rate, which helped sales increase to A\$2.1bn from A\$2bn.

Comalco said an improved result from Commonwealth Aluminium, a US subsidiary, was largely offset by lower aluminium and alumina prices. Aluminium prices averaged US\$1,279 a tonne, compared with US\$1,333 in 1991. The

group said prices had averaged US\$1,227 this year.

"No major improvements in price and demand are likely to occur before 1994, but the long-term outlook is sound as demand grows in the Asian economies and there is increased use of aluminium worldwide by the packaging and automobile industries," Comalco said.

The directors raised the final dividend to 3 cents, fully franked, from 2 cents in 1991, making a total dividend of 5 cents, compared with 4 cents. Comalco is 67 per cent owned by CRA, the Australian resources group, which is 49 per cent owned by RTZ of the UK.

North Broken Hill Peko up 24%

By Kevin Brown

NORTH Broken Hill Peko (North), the Australian resources group, has reported a 24 per cent increase in net profit to A\$52.3m (US\$36m) for the six months to the end of December.

However, the group said pre-tax profit fell by A\$25m to A\$113m, partly because of the cost of restructuring in the for-

estry and paper production divisions.

The improvement in net profit reflected a gain of A\$16.8m from the sale of shares and a reduction of A\$11.4m in net interest costs, which fell to A\$23.4m as a result of debt reduction and lower interest rates.

The board said second-half net profit should equal the first-half result, but warned

that earnings would be affected by lower iron ore prices and difficult trading conditions facing the forestry and paper businesses.

At the operating level, the group said three of its four divisions suffered falls in pre-tax earnings. Warman International, the mining pump manufacturer, increased profit by 70 per cent to A\$11m. Sales fell 7 per cent to A\$75m.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, March 1, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US \$	D-MARK	YEN (x 100)	COUNTRY	£ STG	US \$	D-MARK	YEN (x 100)	COUNTRY	£ STG	US \$	D-MARK	YEN (x 100)
Afghanistan (Afghani)	99.25	68.9226	41.8776	58.1259	Gambia (Daland)	12.1975	8.4704	5.1464	7.1434	Pakistan (Pak Rupee)	37.5394	26.0683	15.8389	21.8843
Albania (Lek)	157.85	109.618	66.6333	92.445	Germany (D-Mark)	2.3700	1.6458	1.3879	1.9379	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Algeria (Dinar)	32.33	22.3333	13.3333	18.3333	Ghana (Cedi)	3.3333	2.3333	1.9379	2.6379	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Andorra (FF Franc)	8.0425	5.985	3.3934	4.7101	Gibraltar (Gib \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Angola (Kwanza)	9948.02	6908.35	4197.48	5826.07	Greece (Drachma)	320.075	222.274	185.055	252.274	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Argentina (Peso)	3.3333	2.3333	1.9379	2.6379	Guatemala (Quetzal)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Australia (Aus \$)	2.0450	1.4201	0.8224	1.1076	Guinea (Guinea)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Austria (Schilling)	13.7603	10.0000	6.5536	9.0000	Guinea-Bissau (Guinea)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Bahamas (Bahamian \$)	1.00	0.7224	0.6034	0.8224	Haiti (Gourde)	17.2200	12.2200	10.0000	13.7603	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Bahrain (Dinar)	0.5410	0.3934	0.2556	0.3476	Hong Kong (Hong Kong \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Bangladesh (Taka)	55.8059	38.754	25.5467	32.6828	Hungary (Forint)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Belgium (Belg \$)	2.3333	1.6458	1.3879	1.9379	India (Rupee)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Belize (Belize \$)	2.00	1.4201	0.8224	1.1076	Indonesia (Rupiah)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Bermuda (Bermudian \$)	1.00	0.7224	0.6034	0.8224	Ireland (Pound)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Bhutan (Ngultrum)	40.00	28.0000	18.6667	24.0000	Israel (Sheqel)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Bolivia (Boliviano)	5.9401	4.255	2.8367	3.7778	Italy (Lira)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Bosnia (Croatian \$)	2.3333	1.6458	1.3879	1.9379	Jamaica (Jamaican \$)	31.6705	22.9934	18.7934	25.9934	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Brazil (Cruzado)	2.3333	1.6458	1.3879	1.9379	Japan (Yen)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Bulgaria (Bulgarian \$)	2.3333	1.6458	1.3879	1.9379	Jordan (Jordanian Dinar)	0.9800	0.7000	0.5800	0.7800	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Burkina Faso (CFA Franc)	402.125	279.253	169.673	230.505	Kazakhstan (Tenge)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Burma (Burmese \$)	402.125	279.253	169.673	230.505	Kenya (Kenyan Shilling)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Cambodia (Riel)	402.125	279.253	169.673	230.505	Korea (South Korean Won)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Cameroon (CFA Franc)	402.125	279.253	169.673	230.505	Korea (North Korean Won)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Canada (Canadian \$)	1.00	0.7224	0.6034	0.8224	Laos (Kip)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Cape Verde (Escudo)	106.477	75.9423	49.957	66.5884	Lebanon (Lebanese \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Cayman Is (Cayman \$)	1.00	0.7224	0.6034	0.8224	Libya (Libyan Dinar)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Chad (CFA Franc)	402.125	279.253	169.673	230.505	Lithuania (Lithuanian \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Chile (Chilean Peso)	599.89	432.613	281.743	375.650	Luxembourg (Luxembourg \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
China (Renminbi Yuan)	8.2743	5.9401	3.9601	5.2778	Macao (Mop)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Colombia (Colombian \$)	1188.30	855.200	566.800	755.200	Maldives (Maldivian \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Congo (CFA Franc)	402.125	279.253	169.673	230.505	Moldova (Moldovan \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Congo (Brazzaville CFA Franc)	402.125	279.253	169.673	230.505	Monaco (Mop)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Cote d'Ivoire (CFA Franc)	402.125	279.253	169.673	230.505	Morocco (Moroccan \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Croatia (Croatian \$)	1.00	0.7224	0.6034	0.8224	Mozambique (Mozambican \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Cuba (Cuban \$)	1.00	0.7224	0.6034	0.8224	Nepal (Nepalese Rupee)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Cyprus (Cypriot \$)	0.7087	0.5116	0.3411	0.4548	Netherlands (Guilder)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Czech Rep. (Czech Koruna)	41.700	29.953	19.969	26.615	New Zealand (New Zealand \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Denmark (Danish Krone)	0.9800	0.7000	0.5800	0.7800	Nigeria (Naira)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	North Macedonia (Macedonian \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Paraguay (Paraguayan \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Peru (Peruvian \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Romania (Romanian \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Russia (Russian \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Saudi Arabia (Saudi \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Senegal (Senegalese \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Sierra Leone (Sierra Leone \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Slovakia (Slovak \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Slovenia (Slovenian \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	South Africa (Rand)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Spain (Spanish Peseta)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Switzerland (Swiss Franc)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Taiwan (New Taiwan \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Tanzania (Tanzanian \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Thailand (Baht)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Togo (CFA Franc)	402.125	279.253	169.673	230.505	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Tonga (Tongan \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Trinidad (Trinidadian \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Tunisia (Tunisian \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Turkey (Turkish Lira)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Ukraine (Ukrainian \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	United States (Dollar)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Uruguay (Uruguayan \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Venezuela (Venezuelan \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Yemen (Yemeni \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Zaire Rep. (Zaire \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433
Dominican Rep. (D.R. Peso)	200.00	142.857	95.238	127.000	Zimbabwe (Zimbabwe \$)	1.00	0.6944	0.6219	0.7529	Pakistan (Baltoe)	1.4400	1.0000	1.0000	0.9433

COMPANY NEWS: UK AND IRELAND

US group denies interest in Greencore

By Peggy Hollinger

ARCHER-Daniels-Midlands, the US agribusiness group, yesterday quashed speculation that it planned to take a stake in Greencore, the Irish sugar and food group which is 30 per cent owned by the government.

Mr Dwayne Andreas, chairman of Illinois-based ADM, said yesterday that the group had been approached a month ago with a view to buying the Irish government's stake. However, the terms and conditions offered had been unacceptable. "There did not seem to be any way to reach agreement," he said. There had been no further contact.

Speculation surrounding the fate of the government's stake - the legacy of the group's privatisation in 1991 - resulted in the suspension of Greencore shares at 245p yesterday.

The company said the shares would be suspended for 48 hours pending clarification of

the government's position on the future of its holding.

The cabinet is expected to make a statement this morning. In the budget speech last month, the government said it intended to raise £150m in 12 months through the disposal of state assets - believed to be the Greencore holding and a 45 per cent stake in Irish Life.

The company is believed to have held discussions with the potential investor, and it is thought unlikely a full bid would result. The government holds a golden share, and is likely to expect undertakings on certain issues such as employment and the maintaining of Ireland's sugar quota.

Possible investors include Conagra and Cargill, both of the US. Reports cited an offer price of 265m for the stake, or 260p per share. The government is unlikely to accept such a price, however, having decided to sell 15 per cent of Greencore last year at 265p.

Analysts speculated that an offer pitched at between 270p and 275p would succeed.

ADM, known to be keen to expand in Europe, was widely favoured as the most likely purchaser of the stake. ADM already owns 7.4 per cent of Tate & Lyle.

It was also noted that Mr Gerry Murphy, Greencore's chief executive, is known to ADM. He was formerly a senior executive of Grand Metropolitan's Pillsbury operations in the US, which has a joint venture with ADM in flour milling.

Analysts in Dublin said they would welcome the sale of the government's stake. "It would preclude Greencore fund raising in Dublin and bring at least £65m into the exchequer," said Mr Joe Gill, an analyst with Dublin brokers, Rida. Mr Gill said speculation that Greencore would have to come to the market for funds had helped to depress the share price in recent weeks.

Trafalgar to press on with cash call

By Roland Rudd

TRAFALGAR House is to proceed with its rights issue after winning support from small shareholders at yesterday's extraordinary meeting.

The engineering, construction and shipping group already had more than 274m proxy votes, mainly from institutional investors, in favour of its £204.5m cash call with only 800,332 against.

Directors were visibly relieved that small shareholders, after voicing criticism of the management, voted overwhelmingly in favour of the 1-for-2 rights issue at 60p.

Small shareholders voted at the recent annual meeting against reappointing Touche Ross, the auditors, after 1991 results were restated.

Although institutional investors voted in favour of retaining the auditors, Trafalgar said it would look at the question later this year.

Small shareholders yesterday asked whether the £120m of exceptional losses and write-downs which may be required in the year to end-September would be the last word on the subject.

The warning of further write-downs followed the decision to announce substantial write-downs for 1992.

Mr Alan Clements, chairman, said: "I cannot say that this is the last final word on the subject."

The rights issue proceeds will be used to repay borrowings. Mr Clements said it would take the pressure off the group to make quick disposals.

The group has said it wants to sell its hotels, which include the Ritz and the Stafford.

Mr Clements said there were no plans to change the group's advisers, which include Kleinwort Benson and UBS Phillips & Drew, or to make further changes to the board. Other than those already announced.

He accepted that non-executive directors, who include Mr Tony Ryan, chairman of GPA, the aircraft leasing company, and Mr David Howell, Conservative MP, "did not realise early on enough the problems facing the company". Mr Clements is non-executive chairman.



MR NEIL Shaw, right, chairman of Tate & Lyle, the sugars and sweeteners group, who is adding "executive" to his title, and Mr Stephen Brown, chief executive, who yesterday left the group after less than two years following "differences in management style", writes Maggie Urry.

Mr Shaw said that he would be easing out of some of his outside interests. Mr Paul Lewis will become deputy chairman as well as finance director.

Mr Shaw said he did not expect his role to change. Instead of a single chief executive reporting to him there would be four people. These four, with Mr Shaw and Mr Lewis, will form the group's executive management committee.

The four, all in their 40s, are likely to be contenders to succeed Mr Shaw, who is 63.

They are:

- Mr Paul Mirsky, 46, who is joining the board and will add the North American sugar business to his role running the Australian activities. He was described by one analyst as the "even money favourite".
- Mr John Walker, 48, also joining the board and becoming managing director of the European sugar business. He already runs the UK sugar operation.
- Mr Stuart Strathdee, 41, not a board member but to become managing director of the international division.
- Mr Larry Pillard, 45, also not a main board director. He joined the group last year to head the problematic AE Staley corn wet milling business in the US.

Mr Shaw said a new remuneration and appointments committee comprising non-executive directors would be formed. This would "have very strong control over me, the board and the senior management of the company".

Mr Murray McEwen, currently managing director of the North American sugar division is retiring on April 1.

Quality Software seeks quote

By Andrew Adonis

QUALITY SOFTWARE Products, a small computer software company based in Gateshead, plans to seek a stock exchange listing later this month.

It wants to raise between £5m and £10m to fund expansion.

Formed in 1981, the company is a leading UK accounting software supplier.

Mr Alan Mordina, chairman, said the listing would enable Quality Software to develop a new product line - Universal Ocas - and engage in joint products "with a large number of companies which have expressed interest."

Pre-tax profits for 1992 were expected to be £1.8m (£1.5m in 1991), before £600,000 of exceptional costs, on turnover of £13.1m (£11.1m).

The company is expected to be valued at about £25m.

It currently has some 130 customers, mostly large.

Holliday Chemical gets £150m price tag

By Richard Gourlay

HOLLIDAY Chemical Holdings is to raise about £70m through the largest flotation yet this year, valuing the synthetic dyestuffs and specialty chemicals company at about £150m.

Mr Michael Peagram, founder, chairman and largest single shareholder, said the company decided to increase by £5m to £36m the amount it will raise to reduce debt.

This followed some concerns in the City that the company would be saddling itself with a balance sheet that was unnecessarily highly geared.

Raising this amount of capital would lead to gearing of about 34 per cent, on a pro-forma basis at the end of 1992, and interest nine times covered by operating profits.

Holliday is coming to the market through a firm placing 75 per cent of the shares; the balance will be available through public offer.

The issue will be priced on March 25; applications will be accepted until April 1 and

dealing will begin on April 14.

The venture capitalists who backed the original buy-out of Holliday from Holliday Dyes and Chemicals in 1987, will be selling about half of their overall shareholding.

Holliday's earnings per share have increased from 4.4p in 1988 to 9.7p last year. Sales last year rose by £26.2m to £97m and operating profit by £5m to £14m.

Mr Peagram said he was comfortable with the higher level of gearing - he had been used to running a company financed largely by venture capital when interest cover was as low as three times.

The balance of comment from the City had, however, been "why not raise £5m more" to reduce pro-forma gearing from about 46 per cent, the company said.

Mr Peagram said the group was intent on growing organically but that in the medium term there would be further cash calls to fund acquisitions.

Rowland's salary rises despite 'difficult' year

By Roland Rudd

MR TINY Rowland's salary and emoluments rose from £1.8m to £1.65m in the year to September 1992, according to

Lombard's annual report which was published yesterday.

Mr Rowland, joint chief executive of the international trading group, saw his salary rise by £48,401 in a year in which the group's pre-tax profits fell from £205m to £80m.

In his message to shareholders Mr Rowland said: "This past year has been the most difficult in your company's financial history."

Lombard said Mr Rowland's overall pay included his remuneration as chairman, which he briefly took over when Sir Edward du Cann resigned, as well as expense allowances and benefits in kind.

The annual report also shows that a significant amount of borrowings have become secured. Some £140m (£54m) of long-term loans are secured. Of the short-term loans £90m (£52m) is secured.

Regal Hotel buy

Regal Hotel Group has confirmed agreements to purchase Catermax and Woodmount for an aggregate £500,000, satisfied by the issue of 84.2m ordinary shares and 378,777 of convertible loan stock.

Brabant returns to the black

By Peggy Hollinger

BRABANT Resources, the oil and gas explorer being stalked by fellow USM company Aberdeen Petroleum, yesterday announced a return to the black with profits of £266,000 for the year to December 31.

The turnaround, which compared with a loss of £4.8m last time, was struck on sales 86 per cent higher at £5.4m. The improvement was largely due to the acquisition of producing

assets from Monument Oil & Gas in the second half.

Brabant said it had increased average net oil production during the year by 52 per cent to 1,786 barrels per day. The Monument acquisition had left it well placed to fund future exploration, the company said.

Brabant could "rely on internally generated funds to support its exploration and development programme for the foreseeable future".

Mr Malcolm Butler, managing director, said the group

could now begin exploring its own prospects, as opposed to ones dictated by obligations such as those arising through acquisitions. A substantial drilling programme, to be funded through cash flow, was planned for 1994. It was unlikely that the company would seek investment from shareholders for this programme.

Any payment of a dividend would depend on exploration success - as in previous years there is again no pay-out.

Ashcroft company problems

By Chris Tighe

MR JOHN ASHCROFT, former Coleridge group chairman, confirmed yesterday that Survival Aids, the outdoor clothing company which was his first acquisition following Coleridge's collapse with debts of about £350m, is having problems over refinancing.

Mr Ashcroft, chairman of the Cumbria-based company, declined to elaborate. He said rumours that receivers had been called in were incorrect. "The refinancing had been agreed but there was a bit of trouble," he said. It had not yet been completely sorted out, he added.

In January, Mr Ashcroft said he had not been happy with Survival Aids' payment situation and was nervous about trading prospects this year.

Last month, he stepped down as managing director making way for Mr Hugh Lapham, a former B&Q director.

Breathing space for Control

By Maggie Urry

HOLDERS of Control Securities' two Swiss franc bond issues agreed yesterday to defer interest payments until June 1.

They also waived the right to declare the bonds in default until the same date by which time further meetings will be held.

Control, the property, brewing and leisure group, is in the middle of a financial restructuring which is taking longer to complete than originally hoped. The company recently revealed a deficit on shareholders' funds of £31.8m.

Shareholders have been asked to a meeting on March 17 to authorise continued discussions while the banks have repeatedly renewed a standstill agreement.

The group has exchanged contracts for the sale of £3.44m of a housing estate at Saxmundham, Suffolk.

Grafton ahead 9% to £3.87m

GRAFTON GROUP, the Dublin-based builders' merchant and DIY concern, reported a 9 per cent advance in pre-tax profits from £3.56m to £3.87m (£3.96m) in the year to end-December.

The outcome was achieved on turnover up by £1.98m to £96.4m.

Mr Michael Chadwick, chairman, said that trading during the nine months to September had been strong but the impact of lower construction activity, as a result of higher interest rates and reduced confidence, had been felt in the last quarter.

However, the overall financial position remained healthy, he added, with cash of £2.6m being generated during the year. Gearing was cut from 31 per cent to 22 per cent.

Earnings per share worked through at 18.6p (17.1p). A maintained final dividend of 3.75p raises the total for the year to 6.5p (6.25p).

Stakis justifies £90,000 payment

By James Buxton

STAKIS, the hotels and casinos group where the corporate rescue specialist Sir Lewis Robertson is chairman, paid £90,000 to Mr David Michels, its chief executive, when he joined the company in December 1991.

This emerged yesterday from Stakis's report for the year to September 30 1992.

Mr Michels was paid a total of £258,000 in the 1992 financial year. At the time he joined the company it was about to report a loss of £47.4m.

Stakis said it had been necessary to offer Mr Michels special inducements to leave a secure and well paid job at Hilton UK, where he was deputy chairman and managing director.

Directors now felt that, with Stakis back in profit, Mr Michels' extra remuneration had been well justified.

French Property Tst

The net asset value per share of French Property Trust stood at 73.25p at December 31, against 68.21p six months earlier. The year end has been changed to end-December with comparatives based on the six months to June 30.

Net revenue for the period was £245,138 (£132,788). Earnings per share were 0.98p (0.53p). A final dividend of 1.3p is proposed making 2.3p for the period to December 31.

DIVIDENDS ANNOUNCED					
	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
ASW	3	May 18	4.5	8	9
French Prop Tst	1.3	May 4	-	2.3	-
Grafton	3.75p	Apr 17	3.75	6.5	6.25
Lilleshall	2.85p	May 28	2.5	4.25	4
NPC	1.35p	July 5	1.3	-	6.55

Dividends shown per share net except where otherwise stated. †On increased capital. *First interim. ‡Irish pence.

Final Offer by S.G. Warburg & Co. Ltd. on behalf of McLeod Russel Holdings PLC ("McLeod") for Wheway PLC ("Wheway")

S.G. Warburg & Co. Ltd. ("Warburgs") announces on behalf of McLeod that, by means of a formal offer document dated 1st March, 1993 (the "Offer Document") despatched on 1st March, 1993 and by means of this advertisement, McLeod through Warburgs makes an offer (the "Offer") to acquire all the existing unconditionally allotted or issued fully paid ordinary shares of 25p each in Wheway (the "Wheway shares"), other than Wheway shares already owned by the McLeod Group and any further fully paid Wheway shares unconditionally allotted or issued while the Offer remains open for acceptance. The Offer is final and will not be revised or increased. However, McLeod has reserved the right to revise or increase the Offer if a competitive situation should arise. Save as provided herein, terms defined in the Offer Document have the same meanings in this advertisement.

The Offer comprises 1 new McLeod share for every 10 Wheway shares.

The full terms and conditions of the Offer are set out in the Offer Document.

The Offer is not being made directly or indirectly in the United States, Canada or Australia or by use of the mails or by any means or instrumentality of United States interstate or foreign commerce or of any facilities of a United States national securities exchange. This includes, but is not limited to the post, facsimile transmission, telex and telephone. Persons wishing to accept the Offer should not use such mails or any such means, instrumentality or facility for any purpose directly or indirectly related to acceptance of the Offer and so doing may invalidate any purported acceptance. The new McLeod shares have not been and will not be registered under the United States Securities Act of 1933, as amended, nor under the securities laws of any state of the United States nor under any securities laws of Canada nor has a prospectus in relation to the new McLeod shares been lodged with or registered by the Australian Securities Commission and accordingly, subject to certain exceptions, may not be offered, sold, resold or delivered directly or indirectly in or into the United States, Canada or Australia.

This advertisement is not being published or otherwise distributed or sent in or into the United States, Canada or Australia and persons reading this advertisement (including custodian nominees and trustees) must not distribute or send this advertisement, the Offer Document or any related documents in, into or from the United States of America, Canada or Australia and doing so may render invalid any related purported acceptances of the Offer.

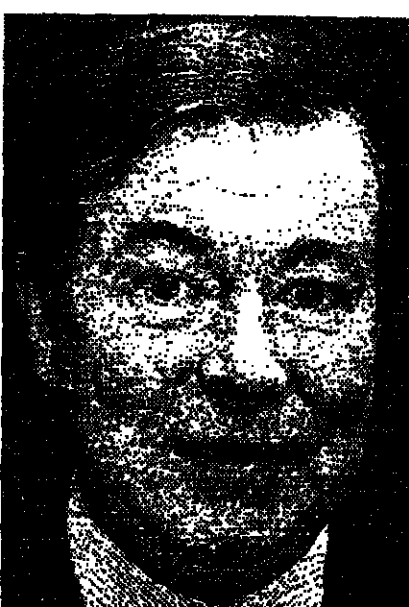
The Offer which is made by means of the Offer Document and this advertisement is capable of acceptance from and after 1.00 p.m. on 1st March, 1993 in accordance with the terms and conditions set out or referred to in the Offer Document. Acceptances of the Offer should be received by no later than 1.00 p.m. on 23rd March, 1993 (or such later time(s) and/or date(s) as McLeod may, subject to the rules of the City Code, decide). The Offer is, by means of this advertisement, extended to all persons to whom the Offer Document may not be despatched who hold, or are entitled to have unconditionally allotted or issued to them, Wheway shares. Such persons are informed that copies of the Offer Document, Listing Particulars and Form of Acceptance will be available for collection from Now Issues Department, Barclays Registrars, P.O. Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH.

This advertisement is published on behalf of McLeod and has been approved by Warburgs, which is a member of The Securities and Futures Authority, solely for the purposes of Section 57 of the Financial Services Act 1986.

The Directors of McLeod accept responsibility for the information contained in this advertisement and to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

1st March, 1993

Acquisitions help Lilleshall advance



John Leek: gearing budgeted to reduce as more stocks are taken out of the business

By Catherine Milton

LILLESHALL, the industrial distribution and building products group, lifted pre-tax profits by 30 per cent, from £2.4m to £3.1m, in the year to December 31 1992.

The rise was mainly due to the acquisition in January 1992 of Crystalware Products, the plastic housewares and garden products manufacturer, and the purchase of Bradgrange Packaging in February.

The shares closed up 3p at 133p. Lilleshall's stock, which had fallen below 100p, has been climbing since late December.

Barlow Fastener Centres was acquired too late in the year to affect profits. The acquisitions brought gearing to 33 per cent by the year end on net assets marginally lower at £13.1m (£13.5m).

Currency movements on the group's French franc borrowings also increased gearing and pushed interest payments from £33,000 in 1991 to £239,000 in 1992.

Mr John Leek, chairman, said that since the year end gearing had reached 40 per cent but was budgeted to come down as more stocks were taken out of the business, especially from industrial consumables which it said was overstocked.

Group turnover rose from £36.7m to £52.1m and a final dividend of 2.65p is proposed, making a total of 4.25p for the year (4p). Fully diluted earnings per share rose 15 per cent from 8.5p to 9.8p.

The building products division recorded a small drop in operating profits from £2.5m to £2.3m. The plastics and engineering division produced higher operating profits of £1.88m (£1.46m) with most of the increase from the Crystalware acquisition. The group recorded reduced losses on industrial consumables of £461,000 (£628,000).

There was an exceptional gain of £81,000, masking a £522,000 provision against stocks following reforecasting of the fastener division. This was offset by gains including £230,000 proceeds from litigation and a £202,000 release of pension provisions.

These were released because the company closed its defined benefits pension scheme (which relates pension income to final earnings) and invited all employees to join a contracted out scheme. The group does not expect to pay out less as a proportion of gross income but said the move had been prompted by possible changes in pensions law.

WOOLWICH BUILDING SOCIETY

£275,000,000 Floating Rate Loan Notes Due 1995 ("The Notes")

(Comprising £200,000,000 Floating Rate Loan Notes due 1995 issued in November 1992 and a further £75,000,000 Floating Rate Loan Notes due 1995 issued on 30th June 1992 consolidated and forming a single series therewith). In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 26th February 1993 to (but excluding) 26th May 1993, the Notes will carry a rate of interest of 6% per cent. per annum. The relevant interest payment date will be 26th May 1993. The coupon amount per £10,000 Note will be £157.38 payable against surrender of Coupon No. 29.

Hambros Bank Limited Agent Bank

BRADFORD & BINGLEY BUILDING SOCIETY

£150,000,000 Floating Rate Notes Due 1994

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 26th February 1993 to (but excluding) 26th May 1993, the Notes will carry a rate of interest of 6% per cent. per annum. The relevant interest payment date will be 26th May 1993. The coupon amount per £10,000 Note will be £157.38 payable against surrender of Coupon No. 16.

Hambros Bank Limited Agent Bank

SmithKline Beecham PLC

Floating Rate Unsecured Loan Stock 1990/2010

Interest Rate 5.8125% per annum Interest Period 1 March 1993 to 1 June 1993

Midland Bank plc Agent Bank

COMPANY NEWS: UK

ASW incurs £10.8m deficit

By Andrew Adonis

CONTINUED PRESSURE on margins pushed ASW Holdings, the Cardiff-based steel and wire group, deep into the red last year, but the shares yesterday jumped 20p to 153p amid expectations of an upturn in steel prices.

The pre-tax deficit of £10.8m for 1992, struck after restructuring costs of £4.6m, compared with a profit of £2.3m.

The operating loss for the second half of 1992 was virtually the same as that for the first six months.

Turnover fell 6 per cent to £367.8m (£390.7m). Losses per share were 16.2p (19p).

The recommended final dividend is 3p, making 6p (5p) for the year.

Net borrowings were £17.2m, with gearing at the year end of 14.3 per cent.

Mr Alan Cox, chief executive, said "abnormally low prices", at below 1992 levels, caused the poor outcome.

Nevertheless the group maintained volumes and made a profit on its basic steel operations.

"We remain one of the lowest cost producers in Europe, and have again improved our cost base."

Restructuring plans halve Beauford shares

By Nigel Clark

SHARES IN Beauford, the manufacturer of material handling equipment and machine tools, halved to 7p yesterday after the announcement of a capital reorganisation.

The company is proposing to split its 10p ordinary shares into one 1p ordinary and nine 1p deferred shares. The 7p convertible preference shares will be converted into four ordinary and six deferred shares and all arrears of the preference dividend will be eliminated.

The deferred are considered valueless and application to cancel them will be made as soon as possible.

The plans would leave preference holders with 86.9 per cent of the new capital as against 44.2 per cent under the existing conversion rights.

Beauford warned that without the restructuring there would be limited scope for future development.

The company reported losses in 1991 and the first half of 1992. In September 1992, after the sale of its interest in EW

Fragile reappearance of customer confidence

Flames of hope spark sharp rally in share prices of leading motor companies. Jane Fuller reports

ONE OF the purest recovery plays in the stock market is the motor trade. Car dealers proved particularly vulnerable to high interest rates, which raised their financing costs and reduced custom. Now that "double whammy" has flipped into reverse.

Share prices of the leading quoted groups have outperformed the market by nearly 40 per cent over the past three months - the flames of hope fanned by the revival of interest in smaller, UK-orientated, companies.

This year sales of new cars are forecast to rise by about 7 per cent to 1.7m. It would reverse a trend which has seen the market fall from a record 2.3m in 1989 to less than 1.6m in both 1991 and 1992.

The picture also looks better for used cars as the lower levels of new car sales feed through into a shortage of quality second-hand ones.

If firmer demand can be used to improve profit margins from the meagre 1 to 3 per cent brought about by widespread discounting, bottom lines could revive quite rapidly.

However, most of these rosy factors are for the future. Few of the motor traders due to report 1992 results over the next few weeks will show a rebound in their figures.

Two exceptions are T Cowie and Lex Service.

Cowie, which has a substantial fleet leasing operation - and hence substantial debt - went through the fire in 1990 when pre-tax profit fell to £3m. Interest costs soared to £44.6m and the dividend was cut.

Profit is estimated to have recovered to £23m last year -

not far short of the £25.8m peak recorded in 1988.

Lex, which slumped to £500,000 pre-tax in 1991 and cut the dividend, is expected to have bounced back to £25m.

The group's exit from electronic components has proved highly profitable through a residual investment in Arrow of the US. Payments from Volvo to end an import agreement have cleared debts and allowed the £46m purchase of Swan National to boost the dealership network.

While these two put most of their troubles behind them, one or two others - such as Pendragon and Reg Vardy - have limited the recessionary damage and enhanced their managerial reputations.

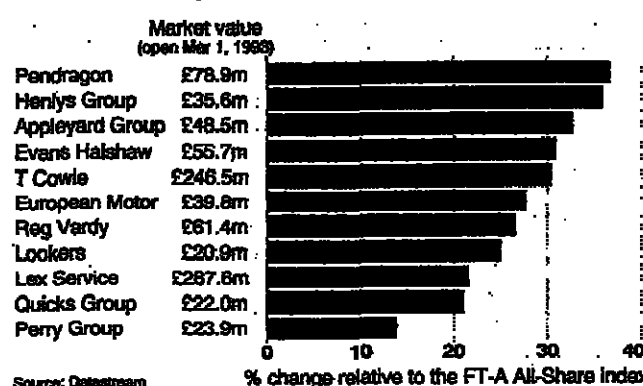
More commonly, however, motor traders' profits have remained bogged down.

Among the laggards is Appleyard Group, one of the oldest names. Its expansion ran out of steam after the purchase of Ian Skelly in 1989. In 1991 profits slumped to £1.81m and the dividend was uncovered. The figures may be worse for 1992 and a dividend cut is feared.

Companies which disappeared at the interim stage included Evans Halshaw and Perry Group, while Lookers was more than 40 per cent down at the pre-tax level in the year to September.

But even the laggards have outperformed the market.

Motor sector performance



Source: Datastream

Automotive and Financial Group (AFG), controlled by Mr Octav Botnar.

Inchcape has cut dealerships from 110 to 87 since last March's takeover of TKM. AFG has had to react to the loss of the Nissan franchise by finding replacements.

Turning to the mooted acquisition targets, the most frequently cited are Appleyard, Lookers and Perry Group, all quoted, and Dutton Forshaw, part of Lounsbury.

The background to the speculation is that the sector remains fragmented. The long list of quoted motor traders only accounts for a small portion of the market.

Last year saw a fair amount of consolidation. Apart from the Inchcape-TKM and Lex-Swan deals, Hartwell won control of Trimoco, and emergent motor groups - such as Euro-

pean Motor Holdings and Sanderson Murray & Elder - added to their portfolios.

An advantage the smaller groups have is that they have some way to go before bumping up against the limits imposed by Ford, which still has about 23 per cent of the new car market.

Hartwell was left with 12 Ford dealerships after the Trimoco takeover, four more than Ford's limit.

Ford says agreement has been reached for four to be sold off. It is sticking to its rules, which also limit location, in spite of criticism of manufacturers' restrictions in a Monopolies and Mergers Commission report published last year.

Ford's stance, which contrasts with Rover and Vauxhall's modified approaches, also has a bearing on another big issue in the motor trade: multi-franchising.

This involves a company selling a variety of makes of new car either on one site or from a local network of sites.

Evans Halshaw, for instance, is developing two multi-franchise sites in the Birmingham area. One is orientated towards Japanese makes, the other will bring together Vauxhall, Rover and Toyota.

Currie Motors, on the other hand, which has nine showrooms in London, has recently switched from Ford to five new franchises, although there will be only one brand of new car available at each site.

Ford argues that multi-franchising will enable local dealerships to be concentrated in too few hands, and that it will compromise after sales service - in terms of the range of parts carried and the skill of fitters.

As about 26 per cent of cars on UK roads are Fords, the after-sales operation has considerable weight. This is not the case with the Japanese makes, which are not yet around in sufficient numbers.

However, the build-up of UK-made Japanese cars is a big issue in the new car market. Mr Rob Golding, motors analyst at SG Warburg, says Japanese cars are forecast to increase their share from 11 to 26 per cent by 1996. A key factor is that fleet buyers will increasingly consider the home-grown models - and corporate sales account for 60 per cent of the new car market.

This has led motor traders to queue up for Japanese franchises, although the weak after-sales outlook has led Cowie, for instance, to utter reservations about "rushing in a big way".

While the Japanese build-up offers a long-term opportunity, increasingly, considerable attention will be focused on the Budget. Mr Golding says the money which the Treasury has given up in car sales tax will be raised from motorists in some other way.

Given the level of recovery hope in the share prices, there is a fear that increased road tax or petrol duty could hinder the fragile reappearance of customer confidence and make 1993 another year of disappointment.

Citibank Investments buys assets of Randsworth Trust

By Vanessa Houlder, Property Correspondent

CITIBANK Investments, a wholly owned subsidiary of the US bank, is acquiring the assets of Randsworth Trust, a London property company, the parent of which has been in receivership for the past year.

Citibank is facing a book loss of more than £100m on the deal, on which its exposure of £310m compares with assets valued at about £200m.

This is the most prominent example of a bank taking control of a property company in the UK since Barclay's acquisition of Imray at the end of last year.

Citibank said its decision reflected confidence in the company's prospects.

Citibank's involvement in

Randsworth dates back to 1989, when it backed a £258m acquisition of the company by JMB Realty, a US investment group.

This deal, which was the first large investment in the UK property market by US investors, proved disastrous.

As the value of Randsworth's portfolio in the West End of London halved in value, the shareholders - who injected a further £58m in 1991 - lost their equity.

Even the debenture holders, who had first claim on the assets of London & Provincial Shop Centres, Randsworth's chief subsidiary, lost money.

Last month, Citibank agreed to repay £135m of debentures at a price of 95p for £100 of stock in the first time in recent memory that holders of secured bonds have accepted a

loss. At the same time, it said it intended to buy all or part of Randsworth.

Citibank Investments has set up a company called CIPL to own Randsworth. The portfolio consists of 35 office and retail buildings in the West End, including 25 Berkeley Square, 91 Kensington High Street and St Christopher's Place, an area of shops, offices and restaurants near Oxford Street.

Citibank excluded from its acquisition two small properties which have negative value.

Mr Nigel Kemper, a former joint managing director, said the deal would allow the management to concentrate on enhancing the value of the business.

"Citibank is prepared to take a long term view of the property market," he said.

FINMECCANICA

Società per azioni

Shareholders Extraordinary Meetings of Finmeccanica S.p.A., Alenia S.p.A., Ansaldo S.p.A., and Elsas Bailey S.p.A. dated 18 February, 1993

The Shareholders Meetings of the companies "Finmeccanica - Società per azioni", "Alenia - Aeritalia & Selenia S.p.A.", "Ansaldo S.p.A.", and "Elsag Bailey S.p.A." - all companies of the IRI Group - approved, in an extraordinary meeting, the merger for the take-over by Finmeccanica of the companies Alenia, Ansaldo, and Elsas Bailey.

The operation consists of the take-over by Finmeccanica of the three companies with a resulting increase in the company's capital by a maximum amount of approximately 191.7 billion lire through the issuing of approximately 191.7 million new ordinary shares, each having the nominal value of 1,000 lire, of which:

- Approximately 183.6 million new Finmeccanica ordinary shares, dividend payable 1 January, 1992 to assign to third-party shareholders of Alenia, Ansaldo, and Elsas Bailey according to the following exchange mechanism:
- 3 new Finmeccanica ordinary shares for every 5 Alenia ordinary shares;
- 3 new Finmeccanica ordinary shares for every 5 Ansaldo ordinary shares;
- 9 new Finmeccanica ordinary shares for every 5 Elsas Bailey ordinary shares.

8.1 million new Finmeccanica ordinary shares to be issued in function of the exercise of the 22.5 million Elsas Bailey warrants in circulation, which will be dividend payable 1 January of this year on the date of the exercise of the relative right.

The holders of the above-mentioned warrants will have the right to purchase 18 Finmeccanica shares for every 50 warrants held by depositing 2,777 lire per share until the warrant's deadline (July 1994).

Following the complete implementation of the merger programme, the Finmeccanica S.p.A. shareholding will evolve in the following terms:

Finmeccanica Ordinary Shares			
	Present Situation (millions of shares)	After Merger (millions of shares)	
IRI	(*)591.4	56.4%	(*)690.5
Public	22.0	3.6%	106.6
Total	613.4		797.1

(*) of which 511.1 million are shares which will be allocated in the dividend distribution after the 1996 fiscal year, as per the meeting's resolution dated 21/7/92.

Finmeccanica Savings N.C. Shares			
	Present Situation (millions of shares)	After Merger (millions of shares)	
IRI	45.5	73.9%	45.5
Public	16.0	26.1%	16.0
Total	61.5		61.5

At the present market prices, Finmeccanica's stock capitalization after the merger would be of approximately 2,100 billion lire, ranking in second place among the Italian industrial/mechanical companies.

Since the merger project will see that the Finmeccanica assigned shares in exchange to the Alenia, Ansaldo, and Elsas Bailey shareholders will be dividend payable 1 January, 1992, the shareholders of the above-mentioned companies will participate in the distribution of the dividends that will be resolved by the Finmeccanica General Meeting on the occasion of the approval of the 1992 fiscal year balance and, as a result of the exchange, they will be able to attend the Meeting.

The Finmeccanica General Meeting, renewing the resolution to increase the company's capital already adopted on 21/07/92, approved the increase of capital according to the following measures:

Following the merger, an increase of capital will give way by payment of a maximum amount of 307,489,995,000 lire of nominal value, which will come through by issuing a maximum quantity of 307,489,995 ordinary shares, each having the nominal value of 1,000 lire to assign in put options to the shareholders at the nominal cost of 1,000 lire (one thousand), increased by a surcharge of 1,500 lire (one thousand five hundred) with the right by the Board of Directors to increase or decrease such a surcharge by a maximum amount of 400 lire (four hundred) keeping in mind the share's and the stock market's trend at the time of the operation's execution.

The increase of capital will be carried out within a time-span of 12 months possibly in different tranches, in relation to the conditions of the financial markets.

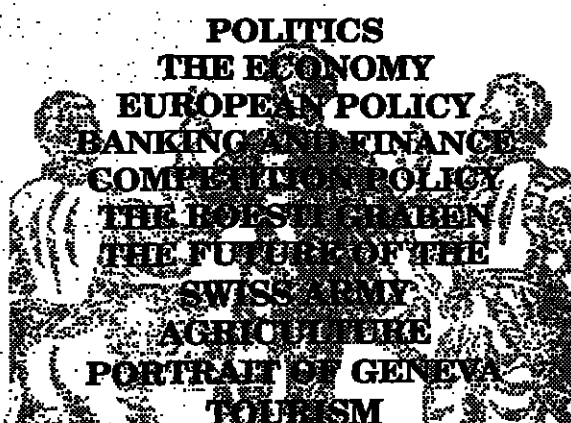
Based on the rate of increase due to IRI, they will guarantee the underwriting of Finmeccanica shares for a countervalue of 493.118 billion lire while the rights relative to the remaining shares due to the Institute would be granted through an underwriting syndicate, according to instructions that IRI will define before the operation.

The Finmeccanica Meeting has also entrusted the Board of Directors to formulate an articulate proposal for a convertible loan stock, that corresponds to the investment needs of the national and international financial markets and in line with their own assets.



SWITZERLAND 26 April, 1993

The survey will assess the meaning of the rejection by a majority of Swiss voters of the government's proposal to join the EEA and analyse how Switzerland is redrafting its policies towards its European neighbours, as well as covering the following topics.



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Tuskar cancels USM quote

TUSKAR Resources, the oil and gas explorer, has cancelled its share dealings on the United Securities Market.

The company's 262,68m ordinary shares have now been admitted to the exploration securities market in Dublin.

Regarding the offer from Animex, directors said the proposals contained "nothing of any significant value" and should be rejected.

McLeod Russel posts final offer

McLeod Russel Holdings, the paints producer and distributor which last month launched a £14m hostile bid for Wheway, the struggling environmental group, yesterday despatched formal offer documents to Wheway shareholders.

The McLeod board said it believed it was in the best interests of shareholders, employees and creditors of Wheway that a rapid transfer of control was accomplished because Wheway was a "company in distress".

Other interested parties had been aware of the "For Sale" sign on Wheway since December 23 1992, and no other parties had announced an offer, McLeod directors asserted.

Platon repeats call for no action on bid

Mr Robin Meyer, chairman of Platon International, has written to shareholders of the USM-quoted instrumentation group, repeating the board's earlier advice to take no action on the bid from Wills Group.

The letter follows the publication of Wills' offer document in which Mr David Massie, chairman, said there were a number of advantages of a merger, including complementary product ranges, geographic fit and opportunities for a substantial increase in sales.

Castle Mill director quits

Mr Marcus Evans has resigned as joint managing director of Castle Mill International and sold his holding of 1.2m shares in the handbag and fashion wear manufacturer.

The stake was sold to Mr Brian Russell, who now holds 23.08 per cent of Castle Mill.

Subject to certain conditions Mr Evans will repurchase Silver Collins Exhibitions, the exhibition promoter which is 75 per cent owned by Castle Mill, for £1.

Increased losses at CountyGlen

Losses before tax at CountyGlen, the Dublin-based property investor and trader, rose from £1253,000 to £1270,000 (£175,000), for the six months ended October 31.

Directors stressed that the deficit mainly represented costs incurred in finalising agreements in the UK for CountyGlen to recover its £500,000 loan to the Videoplus distributors as well as write-offs of rent accepted by the company to obtain possession of the Blackrock site.

The company added that it was examining a number of merger and takeover suggestions but it was too early to bring them to shareholders.

NEWS DIGEST

He also drew attention to the recent achievements of Wills, an industrial, electronic and automotive products company. They included a return to profits, a strong balance sheet and reduced bank borrowings. They compared with Platon's recent losses, lack of dividend and qualified accounts.

The 5-for-4 share offer values Platon at £2.83m, or 27 1/4p a share. Platon's shares were unchanged at 25p yesterday while Wills' rose 1/4p to 22p.

Wills claims undertakings to accept representing 15.7 per cent of Platon.

Wills also published details of its rights issue to raise £5.4m. The 34m shares are offered at 16p on the basis of 1-for-3 ordinary, 1-for-3 warrants and 10-for-3 preference.

The shares have been suspended since October 20.

Inoco cuts annual deficit to £4.31m

Inoco, the USM-quoted property investor, reduced losses from £6.82m to £4.31m pre-tax over the 12 months to December 31.

The outcome was struck after a profit on the sale of investments of £11,000 (losses of £3.1m) now treated as an exceptional rather than extraordinary item.

Losses of £2.46m on sale of fixed assets, £96,000 on sale of trading stocks and a provision of £1.6m against carrying value of trading stocks were also taken above the line.

Losses per share were 2.06p against a restated 3.29p.

Gartmore American assets increase

Gartmore American Securities, a split capital investment trust specialising in high yielding North American equities, reported net asset value per share of 43p at December 31 compared with 35.2p at March 31 1992.

Net revenue for the nine months to end-December was £242,000 (£2.11m) for earnings per share of £2.29p (3p). A third interim dividend of 1p has already been declared, payable on April 2.

COMMODITIES AND AGRICULTURE

Moscow diamond exchange planned

By Leyla Boulton in Moscow

MR VALERY Rudakov, president of the Russian diamond producing company Almazy Rossi-Sakha, said yesterday he would soon set up an exchange in Moscow to sell rough diamonds to the country's diamond-cutting factories.

He said this would reorganise the market whereby only the Committee for Precious Stones and Metals could sell rough stones to cutters and industrial diamond users. In future, both the exchange, which would start up in a month or two, and the committee would be allowed to sell rough stones, he said.

One western expert said, however, that this only underlined the continuing rivalry between Mr Rudakov and Mr Yevgeny Bychkov, the head of the Committee for Precious Stones and Metals. The two men locked horns two years ago when they were respectively head of the old Soviet Glavalmazoloto diamond and gold monopoly and the state depository Gokhran.

"Almazy Rossi-Sakha is supposed to have a monopoly to sell Russian rough to De Beers and factories. If the committee goes on selling, it will be an unusual situation," said the western diamond expert. "One side will have to win out in the end. While Rudakov is more savvy, Bychkov has good connections (in Russia)."

Aluminium smelters in 'poverty trap'

By David Blackwell

LOSS-MAKING ALUMINIUM smelters in the West are caught in a poverty trap that prevents them from cutting production in spite of low prices and record stocks, according to a report from the Commodities Research Unit.

The report estimates that more than half Western capacity is losing money on every tonne of production, while the flood of metal from the former Soviet Union shows no sign of abating.

However, while Western production needs to be curbed to bolster prices, companies are entirely rational not to close even their higher cost and economically vulnerable smelters, the CRU asserts. "Temporary or partial closures are not an attractive option because of the high proportion of fixed or unavoidable costs within total operating costs."

Permanent closure is also

unattractive because in the current state of the market the liquidation value of a plant is small. In addition, any single closure would have little effect on the market, and the CRU believes it unlikely that producers will act collectively on a programme of closures.

The CRU is forecasting only a slow improvement in the market balance as the surplus production is eroded by a gradual increase in demand. It predicts that investment in new capacity will be delayed to the extent that prices will move sharply higher towards the turn of the century when the surplus is finally worked off.

Meanwhile, companies will be better off upgrading and investing in greenfield sites, the CRU suggests.

Survival in Aluminium Smelting, CRU International, 31 Mount Pleasant London WC1X 0AD.

Base metals prices still in retreat

By David Blackwell

BASE METAL prices were in retreat on the London Metal Exchange yesterday, continuing on the downward path started last week.

Three-month copper led the way, breaking below \$2,150 a tonne to close at a 3 1/2-month low. Zinc and aluminium followed suit, falling to 15-month and three-month lows respectively, while nickel retreated back below \$6,000 a tonne.

Mr Angus Macmillan, analyst with Billiton-Enthoven, part of the Royal Dutch/Shell group, said Chinese buying had kept three-month copper above \$2,400 a tonne in January, while last month floods in Arizona and strikes in Mexico and at Papua New Guinea's huge Ok Tedi mine had kept the spot boiling above \$2,500.

But any supporting factors had now evaporated, leaving the market with a pessimistic demand outlook for the next 18 months.

GNI, the London futures broker, said copper appeared to be on the brink of a major price collapse. Prospects for a pick-up in the US economy had been offset by news that European car production could fall by 1.5m units this year, and that Japanese car production was 18.5 per cent down in January.

Weak fundamentals, sluggish physical demand, rising stocks and negative chart formations paint a bleak picture for base metal prices, analysts suggest. While some production cuts have been announced for zinc and nickel, they have been too little too late. Cuts in copper production are unlikely as most producers are still making profits.

Touring Europe's green and set-aside land

A journey from Norfolk to Austria reveals the early evidence of farm policy reform

THE DESTINATION - a heavily timbered hotel in a village surrounded by snow-covered slopes in the Arberg region of Austria. The starting point - a somewhat less pretty but well-kept village in the middle of Norfolk, England. The journey - by road and sea-ferry with a few friends as anxious as I for a temporary change of scenery and the feel of some snow under their skirts.

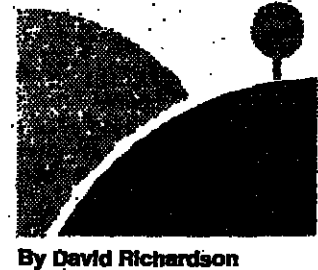
As we left home, much of the autumn-sown corn had begun to recover from indifferent planting conditions and the wettest early winter for years. But, ironically, the forecast was for snow and bitterly cold weather, which we knew would put back that recovery as well as delaying spring-corn planting. We would rather go to find snow elsewhere and have it stay away from our farms in late February and early March.

On the journey to the ferry, the 15 per cent of East Anglian fields left unploughed so that weeds and other green material could regenerate naturally and qualify the land for voluntary set-aside - the most visible result of the 1992 reform of the European Community's common agricultural policy - was beginning to show itself.

And although the development of the pound last autumn will result in increased compensation payments for UK farmers when they set land aside, none of us in the vehicle thought the extra cash made the exercise attractive.

An uneventful crossing from Felixstowe to Zeebrugge was notable only for the fact that many of our fellow passengers were only making day trips to fill up their cars and vans with duty-free booze and cigarettes.

FARMER'S VIEWPOINT



By David Richardson

Then towards Brussels - the home of Eurocrats and the centre of agricultural decision-making. We did not go into the centre to throw eggs at the EC's Berlaymont building in the Rue de la Loi as some French farmers might have done. But we did say a few rude things about the lack of practicality and grass-roots agricultural knowledge of many of those who worked there as we took the many-bridged by-pass autoroute around the town.

Some might say, however, that we were cursing the wrong people. For about 50 km (30 miles) south-east of Brussels, just off the main road, is the Belgian University of Gembloux. Back in the early and mid-1970s, the professor of agriculture there, a man called Louis, developed what he called "blueprints" for the production of cereals, the purpose of these strict planting, fertilising and spraying programmes being to maximise yields.

Little calculation as to whether or not the exercise was profitable was necessary. Yield was everything and the community's guaranteed-price system ensured that profitability followed yields upwards.

Other experts in other areas of the EC followed the Laux

example and developed similar blueprints for their local conditions. And we farmers adopted them with enthusiasm; they meant, after all, that we made bigger profits. But they also led to increases in production, to unsustainable surpluses and eventually to the reform of the CAP.

Nobody uses the blueprints today - we cannot afford to. The emphasis is on minimising inputs and optimising yields rather than maximising production. A series of EC price cuts, which will deepen as CAP reform continues, has seen to that. And, to be fair, the result is a more sensible use of resources as well as being more environment friendly. But the Laux blueprints of the 1970s were a necessary step to the fuller understanding of the physiology of cereals which, in turn, is helping us to survive the stringent economies of the 1990s.

Moving south, through the Lorraine, across the Maginot Line, into the Moselle and Alsace and towards Strasbourg, home of the European Parliament, I found the road is much improved since I last travelled it, presumably to make it easier for the honours of EC officials who are forced to make the journey each time the Parliament meets.

The crops of autumn-sown grain were looking even sadder than those we had left at home. A few farmers were out with their fertiliser-spreaders trying to apply nitrogen to encourage them to grow. Here, too, the set-aside land is beginning to be obvious, although there is less of it than in East Anglia because of small-farm exemptions.

We passed through little Luxembourg on the way, not a particularly significant agricultural member of the community but the one that has provided the new Agriculture Commissioner, Mr Rene Stichen, in succession to Ireland's Mr Ray MacSharry, author of CAP reform, who has retired to Ireland.

Onwards, across the Rhine and to the forests and small farms of southern Germany. Most of the land was already covered with a light dusting of snow, so it was not so easy to make roadside judgments. Even so, the occasional farm cart, hauled by horses, reminded us of the wide range of living standards that still exist within our so-called Common Market. I remembered a speech I had heard in Berlin from out-going German minister and Bavarian farmer, Mr Ignaz Kiechle, only a few weeks ago at the opening of the Green Week, the annual agricultural jamboree. He had followed on to the platform Mr Jean-Pierre Solson, the French Farm minister, who had declared unequivocally that there was no way France would accept the agricultural restrictions the US deal on the Uruguay Round of the General Agreement on Tariffs and Trade would impose. Mr Kiechle, in an attempt, no doubt, to cement Franco-German unity on such matters, never mind that it had already been accepted by other members, agreed that the agricultural aspects of the agreement would have to be re-negotiated.

As we crossed the border into Austria and out of the European Community, I could not help reflecting on the enormous and seemingly-insuperable differences that existed between the members of the so-called European family. And yet, in 1989, Austria applied for membership of that family, we are told with the agreement of a majority of its citizens, including most of its farmers.

Why? I know from previous visits that Austrian farmers receive 50 per cent more for their wheat than I do in the UK; those with dairy farms get twice as much for their milk; and instead of the detested set-aside, the Austrian government has decided to subsidise its farmers to produce non-food crops, such as oilseed rape, to refine into diesel fuel.

There is an apparent acceptance by Austrians that they have a duty to ensure that the 6.3 per cent of farmers in their population are as well off as the rest of the community. Oh, for a touch of that attitude in the UK!

Furthermore, partly because of a strong Austrian shilling and a weak pound, I have just paid a man who used to be just a farmer but is now the proprietor of a sports shop as well, the equivalent value of one tonne of UK wheat for a six-day ski-lift ticket and another man the world price of a tonne of wheat to hire a set of skis and sticks for the same period.

The village where I am staying is packed with people from all over Europe who are queuing up to do the same thing. Austria earns more per head from tourism than any European country, in or out of the EC, and a fair proportion of the benefit of that goes directly or indirectly to agriculture.

I can only ask again - why on earth do Austrians, and Austrian farmers in particular, want to risk losing their independence by joining the European Community?

Revival plan for high cost Canadian gold mine

By Bernard Simon in Toronto

ROYAL OAK Mines, the Vancouver-based gold producer that specialises in restoring high-cost mines to profitability, has signed an agreement to buy the mothballed Colomac property in Canada's Northwest Territories.

The seller is Neptune Resources, which will receive 3.5m Royal Oak shares, worth \$310.2m (\$5.7m), as well as a royalty over five years, payable if the gold price achieves an annual average of more than \$400 a troy ounce. The deal is expected to be finalised on March 25.

Neptune closed Colomac in mid-1991 after the mine had been in operation for only a

year. At the time, it estimated that a gold price of about \$425 an ounce was required to keep the operation profitable.

Royal Oak said that it hoped to cut cash production costs to less than \$300 an ounce, partly by running Colomac in tandem with its Giant mine in Yellowknife.

Unions workers at the Giant mine have staged a bitter and often violent strike for the past nine months, but Royal Oak has kept it operating with outside workers. The company is insisting, among other things, that wages be linked to the gold price.

Royal Oak plans a feasibility study at Colomac this summer with a view to reopening the mine in 1994.

Peru re-awards oil field contract

By Sally Bowen in Lima

PETROTECH International Corporation has won the new contract to operate the Petrocar oil field off the northern Peruvian coast. The concession, formerly held by Belco, was taken over by the state after a 1985 contractual dispute. Settlement of an insurance claim by American International Group is still outstanding.

Petrocar, registered in Delaware, is part of the New York McAllister Brothers group. Its current operations focus on Venezuela and the Gulf of Mexico. Through a subsidiary, International Marine, it has maintained a presence in Peru for ten years, servicing the Petrocar offshore field.

Two other international companies - Hallwood Petroleum of the US and Compania Naviera Perez Companc of Argentina - pre-qualified to bid. Petrocar will take an average of almost 79 per cent of all crude produced, leaving 21 per cent for Petrocar, the state-run petroleum giant.

The concession for the 400-hectare lot 22B will run for ten years with an option to renew for a further ten. Output from the field has slumped since the Belco days, from a peak of 30,000 barrels a day to an all-time low last year of less than half that. In recent months, despite a dearth of equipment and spare parts, output has risen to 17,000 b/d.

The concession is an important step in the planned privatisation of Petrocar. According to Mr Jaime Quijandria, the company's president, "the most attractive part of the field lies in the 50 per cent still unexplored. And while that exploration goes ahead, the new operating company will be earning cash from the half that's already working."

Contract terms require Petrocar to drill at least 40 development wells over the next three years and five exploration wells by the year 2000. Petrocar officials estimated drilling costs at \$80m and \$20m respectively. The operator will also pay Petrocar \$10m a year for the lease of existing assets. Another \$30m to \$60m will have to be spent on repairs and modernisation.

Meanwhile, other advances

were made in the transformation of Petrocar. Three weeks ago, New York-based Booz, Allen and Hamilton was contracted to advise the Peruvian government on an overall privatisation strategy for the oil sector. And ten days ago Great Western Resources, through its Peruvian affiliate, signed an exploration agreement with Petrocar to block 65 in the Marañon basin. It is the company's first ever venture outside the US.

The Belco insurance claim remains unresolved. While AG tacitly agreed to the re-awarding of the ex-Belco field, sources said that the dispute, involving \$185m in compensation and already recognised by the Fujimori government, had by no means been dropped.

WORLD COMMODITIES PRICES

MARKET REPORT

London robust COFFEE and COCOA limped to a close little changed from opening levels and lamenting the delayed opening of their New York counterparts following the bomb at the World Trade Centre. "It's been a waste of time," one London cocoa dealer said. The weakness of the French franc against sterling was keeping origins sidelined and adding some light support. Otherwise, dealers were keeping one eye on pact talks in Geneva, where consumers and producers

failed to agree last week on a compromise proposal. After separate group meetings, delegates said there were signs the gap between the two sides was beginning to narrow, but many traders were still cynical. Coffee traders were expecting little market-moving news from a two-day producer meeting in Mexico City in preparation for the next set of pact talks later this month. In New York arabica prices were sharply down after a delayed opening.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		t or
Dubai	\$16.06-0.78	+1.45
Brent Blend (dated)	\$16.06-0.67	+1.25
Steel Blend (Apr)	\$16.04-0.66	+1.25
WTI (1 per cent)	\$20.50-0.62	+0.75
Oil products		
OWE prompt delivery per tonne CIF		+ or
Premium Gasoline	\$19.18-1.10	
Gas Oil	\$17.17-1.10	+2
Heavy Fuel Oil	\$17.76-1.10	+1
Naphtha	\$17.17-1.05	-0.5
Petroleum Argus Estimates		
Other		+ or
Gold (per troy oz)	\$328.35	+0.8
Silver (per troy oz)	\$38.50	-0.5
Platinum (per troy oz)	\$348.50	+1.9
Palladium (per troy oz)	\$103.25	+3.1
Copper (US Producer)	100.00	
Lead (US Producer)	63.50	
Tin (Kuala Lumpur market)	14.82	-0.08
Tin (New York)	263.50	-2
Zinc (US Prime Western)	62.00	
Cattle (live weight)	\$11.80p	+4.4*
Sheep (live weight)	\$12.10p	+9.05*
Pigs (live weight)	\$12.10p	+8.91*
London daily sugar (raw)	\$24.68	+4.4
London daily sugar (white)	\$27.00	+1
Tate and Lyle export price	\$28.15	-1
Brazil (English feed)		
Maize (US No 3 yellow)	\$18.00	
Wheat (US Dark Northern)		
Rubber (Apr)	\$1.00p	
Rubber (May)	\$1.00p	
Rubber (Jul)	\$1.00p	
Rubber (Oct, RSS No 1 Feb)	\$26.50p	
Coconut oil (Philippines)	\$436.50p	
Palm Oil (Malaysian)	\$427.50p	
Cocoa (Philippines)	\$275.0p	
Soyabones (US)	\$167.0p	
Corn (US)	\$117.0p	+0.1
Wool (Wool 84 Spe)	\$18.00p	
* A to tone unless otherwise stated. *pennance, c=cent, r=ringling, y=Apr/May, w=Mar/Apr, s=Aug, w=Feb/Mar, z=Mar/Apr, London physical sugar, Rotterdam & Bullion market close. *Miles per hour. *Ethene prices are now live weight prices * change from a week ago, provincial prices.		

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VIA SATELLITE
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WORLD NEWS ★
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LONDON SHARE SERVICE

INVESTMENT TRUSTS - CONT.

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• • • • • Most Unit Trust policies are available from ET Ciblone. For further details call (071) 873 4378.

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● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound rallies against D-Mark

STERLING enjoyed a strong rally against the D-Mark yesterday, buoyed by the clear hope in both foreign exchange and money markets that the Bundesbank would cut its official discount rate at its council meeting on Thursday, writes James Blyth.

The pound rose 3 1/2 pence against the D-Mark on the day, closing at DM2.3700. It also enjoyed a strong rise against the exchange rate index, which measures the pound's value against a basket of currencies. The pound closed 110 basis points higher at 77.1.

The pound's strength was partly due to several factors specific to the UK. Mr Norman Lamont, the UK Chancellor, suggested at the weekend that there would be no further cuts in UK rates for some time to come. Yesterday's data for UK money supply showed that M0 rose 0.7 per cent in February for a 4.8 per cent year-on-year, suggesting a rise in consumer spending.

But the main factor behind yesterday's rise in sterling was the indication at the G7 finance ministers' meeting in London at the weekend that the Bundesbank was prepared to see further falls in money market rates.

Mr Helmut Schlesinger, the Bundesbank President, indicated a more relaxed attitude to falling interest rates. He said that the changes in the minimum reserve requirements for German commercial banks should prompt a slight fall in money market interest rates.

Mr Schlesinger's comments helped to unwind tensions in the European exchange rate mechanism yesterday. The French franc rose to a close of FF4.394 against the German currency, from a previous FF4.400.

However, there were concerns last night that the market was too optimistic about the possibility of the officially posted rates being reduced.

Market participants expecting an easing in the repo rate, at which the Bundesbank provides wholesale funds to commercial banks, may be justified.

But Mr David Cocker, chief

economist at Chemical Bank in London, said the main requirements of an easing in the discount rate were not in place. The German government's Solidarity Pact has not been agreed, wage agreements in the manufacturing sector have not been completed and yesterday's consumer prices figure, at 4.2 per cent year on year, was not encouraging.

Yesterday's lacklustre performance by the dollar, which rose 1/4 pence against the D-Mark to close at DM1.6465, may push the Bundesbank in the direction of cutting the discount rate.

One dealer said there was now less risk that an easing of policy would raise the prospect of imported inflation by depressing the German currency. But Mr Neil MacKinnon of Citibank in London remained sceptical. "The market may be pricing in too much from the Bundesbank this Thursday," he said.

EMS EUROPEAN CURRENCY UNIT RATES					
	Unit	Central Rate	% Change	% Spread	Divergence
Spanish Peseta	166.638	166.638	-2.18	2.75	38
Irish Punt	0.787564	0.787564	-0.51	1.50	28
Portuguese Escudo	200.482	200.482	-1.50	2.75	38
Belgian Franc	36.363	36.363	-0.85	1.50	28
Dutch Guilder	3.76033	3.76033	-0.85	1.50	28
French Franc	6.55957	6.55957	-0.85	1.50	28
Italian Lira	1.93627	1.93627	-0.85	1.50	28
German Mark	1.00000	1.00000	-0.85	1.50	28
Swiss Franc	2.00000	2.00000	-0.85	1.50	28

European rates set by the European Commission. Conversions are in decimal form. Percentage changes are for the week ending March 1. The central rate is the rate at which the central bank of the country of issue would buy or sell the currency of the country of issue. The percentage change is the change in the rate of the currency of the country of issue against the central rate of the currency of the country of issue. The percentage spread is the difference between the central rate and the rate at which the central bank of the country of issue would buy or sell the currency of the country of issue. The percentage divergence is the difference between the central rate and the rate at which the central bank of the country of issue would buy or sell the currency of the country of issue.

Source: European Commission. Data as at 11.00 a.m. on March 2, 1993.

17/17/93 Sterling and Italian Lira suspended from EMS. Adjustment calculated by Financial Times.

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FINANCIAL FUTURES AND OPTIONS

LEFTY LONG GILT FUTURES OPTIONS				
100,000 GAINS OF 100%				
Strike	Call-settlements	Put-settlements	Call-settlements	Put-settlements
104	2.42	2.62	0.48	1.48
105	2.19	2.38	1.05	2.14
106	1.95	2.14	1.62	2.81
107	1.71	1.90	2.19	3.48
108	1.48	1.66	2.76	4.15
109	1.24	1.42	3.33	4.82
110	1.01	1.18	3.90	5.49
111	0.77	0.94	4.47	6.16
112	0.54	0.70	5.04	6.83
113	0.30	0.46	5.61	7.50
114	0.07	0.22	6.18	8.17
115			6.75	8.84
116			7.32	9.51
117			7.89	10.18
118			8.46	10.85
119			9.03	11.52
120			9.60	12.19
121			10.17	12.86
122			10.74	13.53
123			11.31	14.20
124			11.88	14.87
125			12.45	15.54
126			13.02	16.21
127			13.59	16.88
128			14.16	17.55
129			14.73	18.22
130			15.30	18.89
131			15.87	19.56
132			16.44	20.23
133			17.01	20.90
134			17.58	21.57
135			18.15	22.24
136			18.72	22.91
137			19.29	23.58
138			19.86	24.25
139			20.43	24.92
140			21.00	25.59
141			21.57	26.26
142			22.14	26.93
143			22.71	27.60
144			23.28	28.27
145			23.85	28.94
146			24.42	29.61
147			24.99	30.28
148			25.56	30.95
149			26.13	31.62
150			26.70	32.29
151			27.27	32.96
152			27.84	33.63
153			28.41	34.30
154			28.98	34.97
155			29.55	35.64
156			30.12	36.31
157			30.69	36.98
158			31.26	37.65
159			31.83	38.32
160			32.40	38.99
161			32.97	39.66
162			33.54	40.33
163			34.11	41.00
164			34.68	41.67
165			35.25	42.34
166			35.82	43.01
167			36.39	43.68
168			36.96	44.35
169			37.53	45.02
170			38.10	45.69
171			38.67	46.36
172			39.24	47.03
173			39.81	47.70
174			40.38	48.37
175			40.95	49.04
176			41.52	49.71
177			42.09	50.38
178			42.66	51.05
179			43.23	51.72
180			43.80	52.39
181			44.37	53.06
182			44.94	53.73
183			45.51	54.40
184			46.08	55.07
185			46.65	55.74
186			47.22	56.41
187			47.79	57.08
188			48.36	57.75
189			48.93	58.42
190			49.50	59.09
191			50.07	59.76
192			50.64	60.43
193			51.21	61.10
194			51.78	61.77
195			52.35	62.44
196			52.92	63.11
197			53.49	63.78
198			54.06	64.45
199			54.63	65.12
200			55.20	65.79

LEFTY LONG SWISS FRANK OPTIONS				
LFrE Euro pounds of 100%				
Strike	Call-settlements	Put-settlements	Call-settlements	Put-settlements
9400	0.73	1.44	0.01	0.01
9425	0.79	1.22	0.02	0.02
9450	0.85	1.00	0.03	0.03
9475	0.90	0.78	0.04	0.04
9500	0.92	0.53	0.05	0.05
9525	0.91	0.31	0.03	0.03
9550	0.90	0.17	0.02	0.02
9575	0.89	0.09	0.01	0.01

WORLD STOCK MARKETS

[illegible]**CANADA**

Sales	Stock	High	Low	Open	Close	Sales	Stock	High	Low	Open	Close	Sales	Stock	High	Low	Open	Close
TORONTO																	
4 pm close March 1																	
Quotations in cents unless noted otherwise																	
142000	Altofin Pk	\$13	\$12 1/2	13	12 1/2	26500	Emp Bldg	\$6 1/2	\$5	6 1/2	5 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	700	Emp Bldg	\$7 1/2	\$6 1/2	7 1/2	6 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
52700	Air Cdn	\$300	295	295	295	14000	Emp Bldg	\$12 1/2	\$12	12 1/2	12	14100	Midland Corp	\$22	\$21	21 1/2	21
1500	Altofin Pk	\$17 1/2	17 1/2	17 1/2	17 1/2	14400	Emp Bldg	\$17 1/2	\$16 1/2	17 1/2	17 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
300	Altofin Pk	\$35	35	35	35	800	Emp Bldg	\$30	30	30	30	14100	Midland Corp	\$22	\$21	21 1/2	21
248000	Altofin Pk	\$22 1/2	22 1/2	22 1/2	22 1/2	800	Emp Bldg	\$30	30	30	30	14100	Midland Corp	\$22	\$21	21 1/2	21
270000	Altofin Pk	\$21 1/2	21 1/2	21 1/2	21 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
300	Altofin Pk	\$21 1/2	21 1/2	21 1/2	21 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
142000	Altofin Pk	\$22 1/2	21 1/2	22 1/2	22 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
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350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21 1/2	21
350	Altofin Pk	\$30	29 1/2	30	29 1/2	1100	Emp Bldg	\$34 1/2	34 1/2	34 1/2	34 1/2	14100	Midland Corp	\$22	\$21	21	

INDICES

[illegible]**TOKYO - Most Active Stocks**

Monday, March 1, 1993						
	Stocks	Closing	Change		Stocks	Closing
	Traded	Prices	on day		Traded	Prices
Osaka S/ Ry	7.4m	730		Japan M & Chem	2.3m	571
Shimizu Tk	4.9m	1230		Toshiba Corp	2.9m	555
Shohei Show	3.6m	775	-85	Nippon Jinn	2.2m	295
Mori Mkt	3.2m	788	-19	Keiki Bank	2.2m	672
Furukawa Elec	2.3m	435	-8	Onuma	2.0m	425

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Equities open quietly after Friday's blast

The only economic data yesterday had little influence on the market. The National Association of Purchasing Management's survey of business

SOUTH AFRICA
JOHANNESBURG saw modest gains, with De Beers improving R1.25 to R68.50 after rising 2.5 per cent in US trading on Friday. The overall index put on 5 at 3,423 and industrials 14 at 4,501, but golds suffered a loss of 12 at 960.

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A question of timing for interest rate hopes

Tokyo Steel earnings downgrade leaves Nikkei lower

Volume dwindled to 170m shares from 266m, while declines led advances by 664 to 265, with 198 issues unchanged. The Topix index of all first section stocks shed 7.96 to 1,276.25, and in London the ISE/Nikkei 50 index eased 0.50 to 1,027.03.

A report by Nomura Research Institute, projecting

steel earnings

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Roundup

WITH THE exception of Bangkok and Singapore, the region

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down 81.22 or 3.1 per cent, as brokers said that the biggest disappointment in the budget was that the government did not cut corporate taxes.

US gains offset by Japan's losses

	% change in local currency 1			% change starting 1	% change in US \$ 1
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993
Austria	+1.44	+7.14	-19.79	+5.60	+11.24
Belgium	+0.21	+2.34	-14.77	+7.74	+12.59
Denmark	-1.55	-1.89	-19.43	+8.78	+15.00
Finland	-4.00	+13.44	+10.06	+16.92	+10.53
France	+2.25	+11.54	-7.19	+8.05	+13.82
Germany	+0.50	+7.67	-5.61	+9.87	+15.34
Ireland	+3.69	+5.32	-8.59	+9.57	+6.34
Italy	+2.94	+7.27	+1.90	+18.80	+17.18
Netherlands	+1.05	+5.29	+5.68	+7.28	+12.44
Norway	+0.57	+1.66	-6.88	+9.10	+10.87
Spain	-0.13	2.01	-3.19	+10.39	+17.39
Sweden	+0.55	+11.46	+1.12	+6.13	+2.19
Switzerland	-0.47	+1.23	+13.71	+1.90	+4.12
UK	+0.75	+2.15	+12.99	+1.50	+1.50
EUROPE	+0.88	+4.81	+3.31	+5.48	+7.59
Australia	+1.22	+5.80	-3.46	+3.69	+11.51
Hong Kong	+3.63	+11.78	+28.45	+15.58	+23.10
Japan	-0.82	-1.24	-15.48	-1.68	+10.70
Malaysia	+1.31	+6.20	+14.68	+6.71	+11.61
New Zealand	+0.32	+0.99	+2.59	+2.39	+1.34
Singapore	+1.23	+1.90	+3.61	+4.50	+10.84
USA	+0.42	+3.98	-8.87	+1.91	+10.34
Canada	+2.15	+0.99	-6.83	+1.68	+1.18
Mexico	-4.00	-10.56	-15.10	-14.94	-8.85
South Africa	-1.63	+0.02	-7.00	+5.32	+20.33
WORLD INDEX	+1.03	+1.56	-0.51	+1.92	+8.90
Developing	+0.55	+1.56	-0.51	+1.92	+8.90

Japan's 0.6 per cent decline was the main reason why the FT-Actuaries World Index was limited to a 1.0 per cent rise in local currency terms. Some observers are waiting for a slump in Tokyo when the fiscal year ends, investment books close and balance sheet ratios are set for the banks at the end of this month.

In Europe, opinion gained strength towards the end of the week that a reduction in key German interest rates was again imminent. France, which advanced 2.2 per cent last week, is especially inter-

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited
in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		FRIDAY FEBRUARY 26 1993										THURSDAY FEBRUARY 25 1993										DOLLAR INDEX	
	US Dollar Index	Day's % Change	Po. /Selling Index	Yen Index	DM Index	Local Currency Index	% Chg on Prev.	Gross Div. Yield	US Dollar Index	Po. /Selling Index	Yen Index	DM Index	Local Currency Index	1992/93	1993/93	Year ago (approx)							
Figures in parentheses show number of lines of stock.																							
Australia (68)	131.13	+0.5	136.62	97.81	111.91	126.46	+0.3	3.92	130.48	135.28	96.91	110.88	126.10	153.68	108.14	144.96							
Austria (18)	146.54	+0.4	162.88	109.31	125.09	125.14	+0.0	1.79	145.89	151.36	106.44	124.06	123.69	150.88	107.16	182.31							
Belgium (42)	140.99	+0.6	162.88	109.31	125.09	125.14	+0.0	1.79	145.89	151.36	106.44	124.06	123.69	150.88	107.16	182.31							
Canada (12)	119.62	+0.0	125.42	98.24	101.88	101.88	-0.5	2.04	119.62	125.42	98.24	101.88	101.88	125.42	98.24	101.88							
Denmark (23)	201.18	+0.8	209.60	150.06	101.88	126.79	-0.1	1.33	202.92	210.38	152.72	102.43	175.24	213.84	180.10	246.97							
Finland (23)	71.31	+0.9	74.29	53.39	57.65	89.12	+1.4	1.54	70.77	73.70	52.49	66.06	87.88	89.80	52.84	85.92							
France (68)	157.46	+1.2	164.04	117.43	130.34	137.92	+0.3	3.29	155.34	161.26	115.32	132.10	135.41	148.75	136.93	156.43							
Germany (12)	112.79	+1.1	112.79	91.25	91.25	91.25	+1.6	2.04	112.79	91.25	91.25	91.25	91.25	91.25	91.25	91.25							
Greece (62)	256.45	+0.5	262.77	181.20	218.77	226.77	+0.4	3.56	250.49	255.67	181.20	218.77	226.77	250.49	255.67	250.49							
Ireland (16)	135.71	+0.6	141.39	101.23	115.82	126.18	+0.8	4.11	134.96	139.33	100.24	114.68	126.19	170.71	122.96	163.88							
Italy (76)	80.43	+0.6	82.98	45.07	51.57	71.73	+1.4	2.89	80.00	82.25	44.59	51.02	70.71	80.86	47.47	75.32							
Japan (472)	100.27	+0.1	113.85	81.51	92.37	81.51	-0.6	1.28	100.27	113.85	81.51	92.37	81.51	100.27	113.85	81.51							
Korea (26)	87.47	+0.0	87.47	77.99	77.99	77.99	+0.0	2.40	87.47	77.99	77.99	77.99	87.47	77.99	77.99	77.99							
Mexico (18)	140.30	+1.0	148.36	105.94	120.57	478.18	-0.8	1.25	142.48	147.67	105.02	120.10	4618.10	1780.47	1185.84	1742.44							
Netherlands (26)	160.00	+0.1	166.71	118.33	136.56	131.45	+0.8	4.24	169.83	165.70	118.71	138.82	134.08	166.70	147.88	151.93							
New Zealand (139)	44.75	+0.0	48.93	33.38	38.39	43.87	+0.0	4.82	44.75	48.93	33.38	38.39	43.87	44.75	48.93	33.38							
Norway (26)	136.43	+0.4	141.39	101.23	115.82	126.18	+0.8	4.11	134.96	139.33	100.24	114.68	126.19	170.71	122.96	163.88							
Singapore (38)	222.49	+0.1	231.59	165.80	182.70	168.56	-0.8	1.96	224.56	232.61	186.79	190.20	189.87	226.53	178.86	212.61							
South Africa (80)	167.19	+0.1	174.30	124.93	142.93	165.51	-0.2	3.04	167.19	174.30	124.93	142.93	165.51	167.19	174.30	124.93							
Spain (46)	125.23	+2.2	130.48	90.41	108.87	111.71	+2.2	5.44	122.34	127.04	91.02	103.13	109.26	121.70	101.00	158.53							
Sweden (36)	158.01	+1.6	165.67	116.61	131.70	183.96	+0.4	2.11	156.17	161.91	116.00	132.71	161.43	202.26	168.99	178.19							
Switzerland (56)	110.26	+0.0	110.26	81.07	81.07	81.07	+0.0	1.07	110.26	81.07	81.07	81.07	110.26	81.07	81.07	81.07							
United Kingdom (226)	161.09	+0.7	171.32	122.64	140.32	171.32	+1.2	4.30	163.23	169.23	121.22	136.69	169.23	200.70	161.96	179.54							
USA (522)	181.43	+0.2	186.67	135.06	154.56	181.00	+0.2	2.79	180.65	187.29	134.18	153.52	180.65	183.74	160.92	168.64							
Australia (778)	137.54	+0.9	143.30	102.60	117.39	131.67	+1.4	3.65	136.34	141.35	101.26	115.86	129.91	156.88	131.31	174.05							
Canada (147)	147.78	+0.9	153.97	110.23	122.12	148.91	+0.9	1.85	146.45	151.86	108.80	124.47	147.59	168.82	141.24	175.27							
France (715)	114.86	+0.3	119.67	85.68	90.02	88.06	+0.3	1.38	114.58	118.17	85.09	90.39	87.53	141.87	93.70	170.79							
Germany (1483)	124.02	+0.5	125.61	92.51	101.88	101.88	+0.5	2.04	124.02	125.61	92.51	101.88	101.88	124.02	92.51	101.88							
Italy (143)	124.02	+0.5	125.61	92.51	101.88	101.88	+0.5	2.04	124.02	125.61	92.51	101.88	101.88	124.02	92.51	101.88							
Japan (143)	124.02	+0.5	125.61	92.51	101.88	101.88	+0.5	2.04	124.02	125.61	92.51	101.88	101.88	124.02	92.51	101.88							
Netherlands (542)	124.02	+0.5	125.61	92.51	101.88	101.88	+0.5	2.04	124.02	125.61	92.51	101.88	101.88	124.02	92.51	101.88							
Spain (23)	124.02	+0.5	125.61	92.51	101.88	101.88	+0.5	2.04	124.02	125.61	92.51	101.88	101.88	124.02	92.51	101.88							
Switzerland (542)	124.02	+0.5	125.61	92.51	101.88	101.88	+0.5	2.04	124.02	125.61	92.51	101.88	101.88	124.02	92.51	101.88							
USA (1980)	124.02	+0.5	125.61	92.51	101.88	101.88	+0.5	2.04	124.02	125.61	92.51	101.88	101.88	124.02	92.51	101.88							
UK (143)	124.02	+0.5	125.61	92.51	101.88	101.88	+0.5	2.04	124.02	125.61	92.51	101.88	101.88	124.02	92.51	101.88							
World Index (1734)	162.20	+0.6	169.00	121.00	136.48	158.24	+0.6	3.05	161.43	167.36	119.91	137.20	157.26	160.45	151.93	160.45							
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